Government of Saskatchewan

Annual Report 2002-2003

Agriculture, Food and Rural Revitalization

Saskatchewan

Our Future is Wide Open

Annual Report
2002-2003

Agriculture, Food and Rural Revitalization

Ninety-Eighth Annual Report
for the fiscal year ending
March 31, 2003

Table of Contents

Letters of Transmittal 2

Who We Are 3
- Stakeholder Consultations 5
- Department Organization 6
- Department Structure and Organization Chart 6

Our 2002-03 Annual Report 7
- Overview of Plan for 2002-03 and Beyond 7
- Performance Plan for 2002-03 8

Results at a Glance 8
- Financial Results for 2002-03 8
- Year in Review 10

Performance Results for 2002-03 12
- Goal 1 - A Thriving, Environmentally Sustainable Agriculture Production and Processing Industry 12
- Goal 2 – Strong and Resourceful Agricultural People and Families 28
  - The Saskatchewan Rural Action Plan 33

Financial Results for 2002-03 34
- Schedule of Revenue and Expenditure 34
- Financial Schedules – Notes 36

Overview of Plan for 2003-04 and Beyond 39
- Plan at a Glance 40
- Budget Overview for 2003-04 41

Trends and Issues 41

Changes from 2002-03 Performance Plan 43

Multi-Year Commitments 44

Where We Are Headed, What We Intend To Do, and How We Will Measure Progress 45
- Goal 1 – Prosperous, sustainable, agricultural production and processing industries 45
- Goal 2 – Strong, resourceful rural people, families and communities 50

Appendices
- A. Legislation administered by Saskatchewan Agriculture, Food and Rural Revitalization 52
- B. Special Purpose Funds and Agencies 53
- C. Assistance to General Agricultural Interests 54
- D. Appeals, Complaints, Hearings and Freedom of Information Requests 56
- E. Regulatory Amendments 57
- F. Saskatchewan Agri-Food Indicators 59

Saskatchewan Agriculture, Food and Rural Revitalization's 2002-03 Annual Report is available in PDF format at the following Web site: http://www.agr.gov.sk.ca/ (under "About Us" link)

Letters of Transmittal

July 2003

Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant-Governor of the Province of Saskatchewan

Your Honour:

As Minister of Saskatchewan Agriculture, Food and Rural Revitalization, it is my pleasure to submit the annual report for the twelve months ending March 31, 2003.

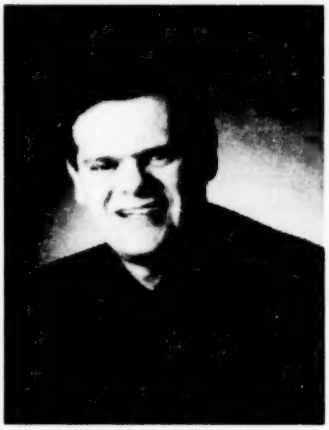
Respectfully submitted,

Clay Serby

The Honourable Clay Serby
Deputy Premier
Minister of Agriculture, Food and Rural Revitalization

July 2003

The Honourable Clay Serby
Deputy Premier
Minister of Agriculture, Food and Rural Revitalization



Sir:

I wish to present to you the annual report of Saskatchewan Agriculture, Food and Rural Revitalization for the fiscal year ending March 31, 2003.

Respectfully submitted,

Gord Nystuen

Gord Nystuen
Deputy Minister

Who We Are

Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR) is working to make the agricultural sector an even more significant player in the provincial economy. The department's vision is of an internationally respected agricultural ministry, noted for its contribution to a vibrant agricultural sector that improves the quality of life of all Saskatchewan people.

The department's mandate is to foster, in partnership with the industry, a commercially viable, self-sufficient, and sustainable Saskatchewan agricultural sector. The mandate addresses the needs of individual farms, encourages and develops higher value production and processing, and promotes the institutional changes required to meet the challenges and opportunities of the future.

To deliver on its mandate, SAFRR provides programs, technical support and specialist services to encourage the expansion of the livestock sector, the production of more valuable crops, and additional processing of the province's agricultural production.

SAFRR's programs and services help to provide the public policy framework and facilitate the agricultural and food industries to grow, to capture future opportunities, and to make a greater contribution to the economy.

SAFRR is working to increase hog and beef production in the province. Intensive Livestock Operations (ILOs) are one opportunity that promotes economic growth. We have the advantages of a large land base, abundant feed grains (in most years), access to technology and a strong regulatory process, which can ensure that this expansion is done in an environmentally safe manner. Saskatchewan was the first province in Canada to establish legislation specifically for ILOs. This legislation was introduced in 1971 and has always been administered by the department responsible for agriculture. *The Agricultural Operations Act* is the most recent form of this legislation, which was proclaimed with regulations in 1996.

A key component of the department's technology transfer services is the extension program and our network in 31 rural centers. In a traditional year, Extension Service staff:

- handle 175,000 telephone and 65,000 office contacts;
- make more than 20,000 field contacts and 3,000 farm calls;
- organize and/or resource more than 1,600 producer events;
- participate in 150 television and 800 radio programs and interviews;
- create 1,300 newspaper articles; and
- create more than 500 newsletters and notices with approximately 700,000 copies distributed.

SAFRR regards research and development as an essential component of our strategy to help achieve the long-term viability and growth of the agricultural production and processing industries.

Our support of the Crop Development Centre at the University of Saskatchewan has resulted in a multitude of new crop varieties – bred specifically for Saskatchewan climatic conditions – that have allowed our producers to lead the world in malting barley and special crops production (particularly the pulse crops of lentils and peas). These crops have provided essential options in the movement away from the wheat economy that has been the traditional focus of the agricultural sector. More recently, government support of biotechnology has resulted in the City of Saskatoon becoming one of two key agricultural research centres in Canada. The department also provides significant third party funding for research and development to maintain and enhance the competitive position of the industry.

In addition, the department works with organizations and individuals interested in either establishing an agriculture related industry in the province, or in making related investments.

SAFRR manages approximately 7.5 million acres of Crown land, including:

- 5.970 million acres of land classified as

agricultural (cultivated, forage and native), and

- 1.559 million other acres (composed of 83,973 acres of non-agricultural land such as oil and gas leases, quarry, public and commercial land; 115,205 acres of land under agreement for sale; 804,021 acres of provincial pasture land; 473,118 acres of Prairie Farm Rehabilitation Administration (PFRA) land; and 82,554 acres of vacant land).

The department receives revenue of approximately $30 million from Crown land administration (excluding the Pastures Revolving Fund). This includes: petroleum and gas leases; rent on cultivation, hay and grazing leases; and other land revenues and administration fees.

Other notable programs delivered by the department include the Conservation Cover Program, the Farm Family Opportunities Initiative and the Livestock Loan Guarantee Program. SAFRR also funds producer safety net and disaster programming under a federal-provincial framework that includes crop insurance, the Net Income Stabilization Account Program (NISA), and the Canadian Farm Income Program (CFIP).

SAFRR also participates in the development of the provincial Safe Drinking Water Strategy. The department's role in water management centres on the relationship between agricultural activities and water resources. SAFRR provides for drinking water source supply protection through regulatory, research, and technology transfer programs.

Through the Rural Issues Office, the department has been charged with facilitating the implementation of *A Strategy for Rural Saskatchewan: Responding to ACRE*, which is the government's response to the comprehensive report submitted by the Action Committee on the Rural Economy (ACRE). The strategy outlines three goals that will enable the government to build the economic environment defined by ACRE: A Competitive Business Environment; Sustainable and Effective Public Infrastructure; and Strong and Healthy Rural Communities. The document also identifies priorities for future government action to achieve each goal, including 16 "next steps" for immediate action. These strategies will assist the government in developing programs to effectively meet the challenges facing the rural sector, so that those who choose to live and work in rural Saskatchewan will have every opportunity to continue to do so.

A well informed and highly skilled SAFRR staff is a critical ingredient in the achievement of SAFRR's strategic goals. The department, through its Human Resources Branch, has implemented a number of programs and policies that are reflective of our belief that in order to recruit and retain skilled individuals, the department must be viewed as a workplace of choice. This objective is pursued in conjunction with the goals established in the department's Employment Equity and Diversity Plan.

Recruitment of new staff will be extremely important to the department over the next few years, as in the private sector, demographics indicate an aging workforce. The department's recruitment strategy will ensure SAFRR is able to attract the employees it will need to fulfill its mandate.

Accurate and timely disbursement of information is an important function of SAFRR. The minister, deputy minister, and department officials and staff undertake numerous speaking engagements and presentations at industry events to ensure the policies, programs, and services of the department are highlighted and understood.

News announcements, media coverage and individual interviews are used extensively to explain new initiatives and directions, and to provide commentary on industry developments.

Staff attendance at annual meetings of farm organizations and industry groups helps promote the partnership role of the department, particularly in industry development. Membership in various agencies and institutions that serve agriculture is a key tool to promote the working relationships that can maximize the department's contribution to the industry.

In addition, the department publishes numerous brochures, fact sheets, and technical bulletins on different aspects of the agriculture and food industry. Provincial specialists monitor research programs and develop technical information for use by producers to improve crop and livestock production and to assist in the adoption of new crops. Information is provided in written or electronic form and presented at producer meetings and through individual contact.

Stakeholder Consultations

SAFRR is keenly aware that our agricultural production and processing industries operate in an extremely dynamic environment that requires evolving and adapting to the challenges and opportunities of a rapidly changing world. As such, our strategic planning must be cognizant of the current state of the industry, the longer-term trends, and emerging opportunities. Part of that process of understanding the agricultural environment includes continuous dialogue with producers and producer organizations. The organizations and groups with a primary interest in working with the department to improve the agricultural sector and the rural economy include:

The Action Committee on the Rural Economy (ACRE)

ACRE is a diverse industry/citizen group with a mandate to "act as a catalyst for exploring and generating innovative ideas" for government and industry to facilitate rural development. In defining agriculture as one of the three key drivers of the economy (along with the resource sector and manufacturing), ACRE has provided a greater understanding of the magnitude of change required within the agricultural sector and of the amount of investment required to achieve the number of jobs necessary for sustainable population levels in rural Saskatchewan.

The Pork Industry Advisory Board (PIAB)

PIAB consists of 12 members appointed by the Minister of Agriculture, Food and Rural Revitalization, some representing organizations such as SAFRR, Sask Pork, the Prairie Swine Centre, and the rest appointed at large to represent producers.

The PIAB meets two or three times a year to discuss issues, concerns and potential solutions. It is an excellent source of industry intelligence and plays a critical role in the planning and delivery of programs and services for the department.

The Livestock Loan Guarantee Program Producer Advisory Committee

The 11 member Producer Advisory Committee is made up of representatives from the cattle industry as well as representatives from the bison and sheep industry. Members of the committee represent associations in their region in discussions with lenders and government on program policy and general operating guidelines to ensure producers' needs and concerns are brought forward. Their duties also consist of recommending program changes to government, participating in regional meetings, and providing a forum for general discussion of the livestock industry.

Commodity Development Boards/Commissions

Producer organizations, such as the Saskatchewan Pulse Growers, Saskatchewan Canola Development Commission, Saskatchewan Beekeepers Association, and the Saskatchewan Herb and Spice Association are key organizations that are consulted regarding program development and delivery. They also provide critical support for programming and service delivery on specific problems.

Agriculture Development Fund Board (ADF)

The 15 member board assists in determining the funding objectives for the fund, makes recommendations for the development and revision of research and development programs, reviews project and program proposals and recommends funding twice a year.

Farm Support Review Committee (FSRC)

The FSRC includes 17 members appointed by the Minister of Agriculture, Food and Rural Revitalization to provide feedback and input to the government on safety net issues.

Farm Organizations

SAFRR has made a major commitment to ongoing consultations and regular meetings with a wide range of producer and agri-business organizations, such as the National Farmers Union, the Canadian Wheat Board, the Saskatchewan Stock Growers Association, the Saskatchewan Cattle Feeders Association, the Saskatchewan Association of Rural Municipalities, the Agriculture Producers Association of Saskatchewan, Saskatchewan Agrivision Corporation Inc. and many others. These meetings are essential for understanding the needs and concerns of the industry at any given time, and are often a way of informally bouncing ideas off key industry leaders to determine their reaction to potential policy initiatives. The minister also maintains regular contact with less formal groups that he has established to provide advice and direction on various issues that may arise.

Department Organization

As of March 31, 2003, SAFRR had 916.5 full-time equivalent (FTE) positions at 34 locations throughout the province, with the head office located in Regina.

The locations of the other 33 offices are as follows: Assiniboia, Biggar, Canora, Davidson, Estevan, Humboldt, Indian Head, Kindersley, La Ronge, Leader, Lloydminster, Maple Creek, Meadow Lake, Melville, Moose Jaw, Moosomin, Nipawin, North Battleford, Outlook, Preeceville, Prince Albert, Raymore, Rosetown, Saskatoon, Shaunavon, Swift Current, Tisdale, Turtleford, Unity, Watrous, Weyburn, Wynyard and Yorkton.

The following is a breakdown of the FTE positions:

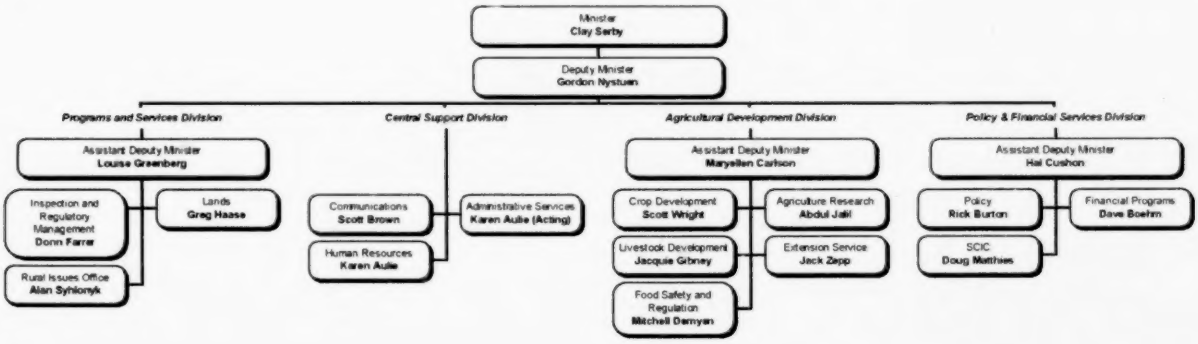
Administration	39.0
Land Management	42.9
Livestock and Veterinary Operations	39.0
Policy and Planning	67.7
Agriculture Research	18.5
Agriculture Development	89.9
Investment Programs	72.4
Revolving Funds*	124.1
Saskatchewan Crop Insurance Corporation	323.0
Total (Organization)	916.5

*Revolving Funds consist mostly of seasonal employment for the Saskatchewan Pasture Program and Livestock Inspection Services.

Department Structure

Saskatchewan Agriculture, Food and Rural Revitalization is composed of four major divisions: Programs and Services Division, Central Support Division, Agricultural Development Division, and a Policy and Financial Services Division, which includes Saskatchewan Crop Insurance Corporation (SCIC).

Saskatchewan Agriculture, Food and Rural Revitalization
2002-2003



Our 2002-03 Annual Report

In June 2002, the Government of Saskatchewan approved an approach to publicly release departmental plans and performance results. As part of phase one of this approach, Saskatchewan Agriculture, Food and Rural Revitalization's 2001-02 Annual Report included a separate section relating to the department's performance plan for the 2002-03 fiscal year.

The 2002-03 Performance Plan for Saskatchewan Agriculture, Food and Rural Revitalization outlined specific goals, and established performance measures by which the achievement of these goals can be determined by the public. The preparation of this plan was one component of the provincial government's commitment, made in the 1999 Throne Speech, to increase openness and accountability to the people of Saskatchewan.

SAFRR's Performance Plan is consistent with the Accountability Project guidelines and provides the department with an effective tool to ensure that we are on track with supporting the growth of the agriculture and agri-food industry in Saskatchewan.

For the 2002-03 fiscal year, SAFRR's Annual Report will serve two distinct purposes:

- To report on the 2002-03 department accomplishments/results as outlined in the Performance Plan section of the 2001-02 Annual Report; and
- To make public the department's performance plan for 2003-04 and beyond.

Overview of Plan for 2002-03 and Beyond

SAFRR's Performance Plan for 2002-03 was derived from the department's Strategic Plan, which included a mandate and a vision for the future, along with goals and objectives that will guide the department over the next several years. Although the vision and the goals are longer term in nature, the objectives are short to medium term.

The Performance Plan incorporated a strategy to facilitate a mix of enterprises in our agricultural industry that capture new opportunities, while continuing to meet the needs of farm families. In moving toward that vision, the state of the industry today and the realities facing our producers must be recognized.

The Performance Plan refocused and maintained many traditional programming areas. Risk management tools, farm income support, research funding, industry development and technology transfer remain essential parts of the working relationship between the department and the province's agricultural production and processing industry. Furthermore, new growth in the beef and hog industries, as well as expansion of the specialized livestock sector and growing of higher value crops, was a central focus of the department's plan.

A new focus was a series of initiatives to help producers be better prepared to respond to the continuing evolution of the industry, and to make the best choices for their farm operations and their families. Agriculture has constantly been subjected to remarkable changes. That is even more the case today as new technologies change competitive advantages almost overnight, and economics force farm operations to get larger and to switch to non-traditional production choices.

The 2002-03 plan assisted SAFRR in fulfilling its mandate by focusing on critical factors affecting the industry and the department.

Performance Plan for 2002-03

Department Vision:
"An internationally respected agricultural ministry, noted for its contribution to a vibrant agricultural sector that improves the quality of life of all Saskatchewan people."

Goal 1: ***A thriving, environmentally sustainable agriculture production and processing industry***

Objectives:
- *Increased livestock production*
- *Increased value of crop production*
- *Expanded processing of our primary production*
- *Enhanced environmental stewardship*
- *Improved food safety standards*

Goal 2: ***Strong and resourceful agricultural people and families***

Objective:
- *Agricultural people and families with better tools and resources to plan for their future*

Results at a Glance

Despite the severity of the 2002 drought, the department achieved several successes that furthered the development and progress of the provincial agricultural sector and the people and families that make up the industry.

Key Accomplishments

- ***A thriving, environmentally sustainable agriculture production and processing industry***

o Facilitated a 10 per cent increase in hogs marketed in the province during the calendar year 2002 to 1.94 million animals.

o Supported a six per cent increase in slaughter steers and heifers marketed to just over 180,000 head.

o Assisted beef producers in maintaining and expanding the beef cow herd, so that population numbers in January 2003 were almost two per cent higher compared to the year previous.

o Mitigated a 31 per cent decline in the dollar value generated per acre of crop produced, due to the severity of the 2002 drought, through record crop insurance payments.

o Encouraged an increase in provincial agri-value (food, beverage and feed processing) Gross Domestic Product of 2.3 per cent during the calendar year 2002.

o Oversaw a further reduction in summerfallow area as a percentage of total cultivated land to 17.7 per cent.

- ***Strong and resourceful agricultural people and families***

o Received 1,041 program inquiries to the Farm Family Opportunities Initiative and approved 223 applicants for training or diversification assistance, with an additional 356 under active consideration.

o Handled almost 154,000 inquiries for technical information, including over 45,000 on crops and special crops; over 51,000 on forages and livestock; and almost 16,000 on farm management.

o Released "*A Strategy for Rural Saskatchewan: Responding to ACRE.*" The Strategy describes specific roles in rural development for government, and for communities and individuals.

Financial Results – 2002-03

The 2002-03 department budget was $291.7 million; the department also received Special

Warrants authorizing a $26.5 million expenditure increase, making total available funding $318.2 million. Total SAFRR expenditures for the 2002-03 fiscal year, including statutory adjustments for revolving funds of $892,000, were $312.9 million, a variance of $5.3 million.

The following table provides a summary of actual expenditures, including the statutory adjustments for revolving funds:

SAFRR Expenditures	Actual
	In thousands of dollars
Personal Services	$ 23,839
Supplier & Other Payments	$ 15,065
Transfers to Individuals	$ 225,080
Transfer for Public Services	$ 47,988
2002-03 Expenditures	$ 311,972

The department exceeded its original budget estimate primarily as a result of factors that hit the livestock industry particularly hard. The severe drought of 2002 affected the supply of livestock feed The government responded by developing and delivering the Herd Retention Program and the Livestock Drought Loan Program in August 2002 at an estimated cost of $16.3 million. These programs were a combination of grants and loans to the industry and were based on the breeding capacity of the producer's herd as of August 1, 2002.

In the fall of 2002, the hog industry experienced high feed costs and low commodity prices. Consequently, the Government of Saskatchewan introduced the 2002 Short Term Hog Loan Program, which provided loans to hog producers based on hogs marketed between September 3, 2002 and April 30, 2003. The total impact on department expenditures was $1.8 million.

The drought also severely affected grain production in the province. The Saskatchewan Crop Insurance Corporation (SCIC) paid out claims that totalled in excess of $1 billion. As a result of the high claim activity, the department was required to provide additional funding ($3.6 million) to SCIC to assess and administer these claims.

The department also oversaw the following activity that occurred within Revolving Funds and Special Purpose Funds:

Fund	2002-03 Revenue ($000s)	2002-03 Expenditures ($000s)	Net Assets (Deficit) position at March 31, 2003 ($000s)
Pastures Revolving Fund (Community Pastures Program)	5,723	5,554	(286)
Livestock Services Revolving Fund (Livestock Inspection Program)	3,091	2,920	281
Cattle Marketing Deductions Fund	3,023	2,621	4,207
Horned Cattle Fund	380	383	223
Beef Development Board	24	152	851
Agricultural Implements Board	6.8	-	151.3
Agri-Food Innovation Fund	190	5,784	5,651
Agri-Food Equity Fund (as at February 28, 2003 – date of amalgamation with the Agricultural Credit Corporation of Saskatchewan)	287	1,644	2,168
Saskatchewan Agricultural Stabilization Fund	70,145	74,701	10,050

Note: The above amounts are based on draft financial statements and are unaudited.

Year in Review

Challenging times

Drought, localized flooding, a severe grasshopper infestation in the summer, an early frost, and a long drawn-out harvest combined to make 2002 a very challenging time for Saskatchewan farmers and ranchers. The year began with well below normal snowfall in most of the grainbelt, and spring run-off was below average to non-existent in many parts of the province. Between April 1 and July 31, precipitation as a percentage of normal varied from lows of 34 per cent at Lloydminster and 42 per cent at Prince Albert to highs of 170 per cent at Moose Jaw and 138 per cent at Val Marie. While 2002 was characterized by a severe drought over much of the province, weather conditions including wind, frost, flooding and hail also contributed to a significant reduction in total production of grains and hay/forage. High temperatures in July caused heat damage, and in early August some areas were hit by frost that damaged crop quality and yields. In addition, the July heat promoted the hatch of grasshoppers – primarily on the western side of the province, though other areas also experienced moderate to severe infestations. Richardson ground squirrels were also a major problem in the western region.

Harvest operations started in August, but by the end of that month only eight per cent of the 2002 crop had been combined, with another 10 per cent ploughed under or used for livestock feed. As of fiscal year end – March 31, 2003 – it was estimated that 1.7 million acres of crop remained to be harvested. Including production from crops remaining to be harvested, it was projected that Saskatchewan's total crop output was 54 per cent of normal. Consequently, Saskatchewan Crop Insurance Corporation paid out a record amount in crop insurance claims, and extended coverage to assist producers who were not able to finish the harvest last fall.

Saskatchewan Crop Output

Crop	5 Year Average (1997-2001) (000s of Tonnes)	2002 (000s of Tonnes)	2002/Average
Wheat	8,807	4,206	48%
Durum	3,780	2,630	70%
Barley	4,572	2,420	53%
Canola	3,079	1,190	39%
Peas	1,589	910	57%
Total	25,082	13,581	54%

The livestock sector also contended with numerous challenges during 2002. The drought reduced the carrying capacity of pastures, and the annual hay crop was considerably lower than normal. Across the province, first and second cuts of brome/alfalfa hay on dry land averaged 0.9 tons per acre, below the 10 year average of 1.1 tons per acre. Hay yields were about 50 per cent of average across the northern grainbelt, but generally higher across the south.

Due to feed shortages, livestock producers, particularly those in the western half of the province, were forced to seek out feed and forage from other areas of Saskatchewan and from outside the province. There was even a highly publicized *Hay West* campaign in which eastern Canadian citizens helped to provide feed for livestock in western Canada. Feed shortages resulted in higher than normal sales of livestock over the summer months. Cattle marketings (heifers and cows) in the 2002 calendar year increased 30 per cent over the 1996-00 average and 15 per cent from 2001.

Saskatchewan Cattle Marketings

	2002	2001	1996-2000 Average	2002/2001	2002/Average
Heifers	630,970	544,950	485,058	+ 16%	+ 30%
Cows	194,690	172,300	150,684	+ 13%	+ 29%
Heifers and Cows	825,480	717,250	635,742	+ 15%	+ 30%

Although marketings of cows and heifers increased, many of these animals moved within the province to areas that were less affected by drought and which still enjoyed adequate feed supplies. Producers were also aided in dealing with the impact of drought through the provincial Livestock Drought Loan Program and the Herd Retention Program. As a result, the size of the provincial beef cow herd was almost two per cent greater on January 1, 2003, compared to the year previous.

While fall moisture delayed the harvest and led to lower quality grain crops, it helped to alleviate the poor pasture and forage conditions. In addition, the reduced quality and value of the

grain crop meant it was more economical for it to be utilized as feed rather than marketed directly into the food chain. As a result, substantial quantities of wheat and canola were used for livestock feed.

Grain commodity prices

Grain producers who were fortunate enough to harvest a crop in 2002 (or who had grain in storage from the 2001 crop year) were able to take advantage of rising commodity prices. Production difficulties in many grain growing regions of the world including the United States, Brazil, Australia and some parts of the European Union led to serious reductions in global supplies of most grains. The United States Department of Agriculture estimated global coarse grain ending stocks were the lowest in nearly two decades. As a result, high demand for these grains led to a significant increase in prices in the late summer and fall of 2002. Prices have since declined from the highs of late 2002, but remain somewhat above long-term averages.

Commodity Prices ($/tonne as of April 30, 2003)

Crop	1998/99 - 2002/03 5 year average	2002/03 crop year (estimate)	2002/03 as a % of average
Wheat (#1)	$177	$214	121
Durum (#1)	$187	$234	125
Barley (malt)	$153	$193	126
Barley (feed)	$109	$150	138
Canola	$308	$388	126
Peas	$204	$290	142

Livestock prices

Livestock returns were subjected to several forces in 2002. In addition to the drought which drove up feed costs, the cyclical nature of the livestock sector was also evident, and excess supply led to lower prices. Global policy events in 2002 also had an impact on our livestock industry. The Russian ban on American poultry led to a glut of meat protein in North America and prices of all livestock species were reduced accordingly. Overall, steer prices remained above the previous five year average, but have fallen significantly from their highs in recent years. In comparison, hog producers were severely affected by low prices in 2002.

Commodity Prices ($/cwt as of April 30, 2003)

Species	1998/99 – 2002/03 5 year average	2002/03 crop year (estimate)	2002/03 as a % of 5 year average
Steers	$82.11	$88.84	108
Hogs	$151.83	$117.57	77

Farm income and expenses

The combination of poor growing conditions and depressed commodity prices in 2002 is evident in the provincial farm income numbers. The revised Agriculture and Agri-Food Canada (AAFC) estimate of 2002 realized net farm income (RNFI) in Saskatchewan is $625 million. This is down 35 per cent from the 2001 RNFI of $964 million. The full impact of the drought is projected to show up in the 2003 RNFI, as inventory levels of grain at the beginning of the year were very low. AAFC is forecasting Saskatchewan's RNFI for 2003 will be further reduced to $304 million.

Perhaps one of the strongest indicators of the impact of drought of 2002 is the government program payments that resulted. Crop insurance indemnities exceeded $1 billion for the year – the highest in the history of that program. Claim payments under the Canadian Farm Income Program (CFIP) and federal bridge funding in 2002 also contributed to higher than normal total program payments to farmers.

The April 23, 2003 AAFC farm income forecast for 2002 and 2003 is summarized below.

AAFC Farm Income Forecast for 2002 and 2003 ($000s)

	1998-2002	2002	2003
+ Total Crops	3,717,879	3,632,266	3,279,283
+ Total Livestock	1,505,878	1,633,843	1,645,623
+ Total Payments	702,552	1,003,860	1,402,834
= Total FCR* incl. Payments	5,926,310	6,269,969	6,327,740
- Total Operating Expenses after Rebates	4,499,385	4,768,664	5,140,827
= Net Cash Income	1,426,925	1,501,305	1,186,913
+ Total Income-in-Kind	11,352	11,086	11,392
- Total Depreciation	885,178	887,351	894,395
= Realized Net Farm Income	**553,098**	**625,040**	**303,910**
+ Total Inventory Change	(212,738)	(749,435)	1,041,842
= Total Net Income	340,361	(124,395)	1,345,752

*Farm Cash Receipts

International developments affecting Saskatchewan agriculture

There were several major international policy developments affecting agriculture in 2002. In addition to the previously mentioned Russian ban on American poultry, the introduction of the U.S. *Farm Security and Rural Investment Act of 2002* (or the new Farm Bill) had major implications for Saskatchewan agriculture. The Farm Bill contains several troubling aspects. First, it increases domestic support to historic levels. Producers in the U.S. are virtually guaranteed a predetermined revenue, regardless of market forces. Prior to planting, farmers essentially know what their per-acre revenues will be, based on program payments and government guarantees. Another troubling element is that the bill extends support beyond wheat and other traditional crops to pulses. With a thin international market for these crops, a subsidized increase in U.S. production could erode global prices and negatively affect the profitability of growing pulse crops in Saskatchewan.

For the livestock sector, the Country-of-Origin-Labelling (COL) provision in the new Farm Bill has the potential to significantly impact free trade of livestock in North America. When the law becomes mandatory in September 2004, this provision will require all covered products (unprocessed beef, pork and lamb) sold at the retail level in the U.S. to be labelled with specific country of origin information. This could depress livestock prices in Canada, as costs of the segregation and audit system will likely be passed back to producers.

In the grains sector, the entry into the global wheat market of nations like Kazakhstan and Ukraine poses a new threat for Saskatchewan producers. The capacity of these countries to produce wheat competitively may disrupt global supply and demand forces, and will likely affect current and future wheat prices. In 2002, when Canada and many other export nations suffered from crop supply shortages, these emerging exporters marketed large quantities of grain. As a result, this additional supply kept a lid on further price increases. Although these new exporters require significant investment in infrastructure and institutional development before they become a serious competitive threat to Saskatchewan producers, they have become part of the new global grain complex.

Performance Results 2002-03

The following section provides detailed information on the progress SAFRR has made toward our longer term objectives.

Goal 1
A thriving, environmentally sustainable agriculture production and processing industry.

Objective 1 – Increased Livestock Production

One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry. Increased livestock production has the potential to encourage expansion in our domestic meat-processing sector. Additional spin-offs may include increased crop productivity through the use of livestock manure as a low-cost fertilizer.

Good progress was made toward the objective of increased livestock production in 2002-03. The number of hogs marketed in the province, during calendar year 2002, increased by 10 per cent to 1.94 million animals. Marketings of slaughter steers and heifers rose by six per cent to just over 180,000 head. In spite of the drought, the beef cow herd was almost two per cent larger as of January 1, 2003, compared to the year previous.

To help realize the objective of increased livestock production, the department identified three key actions. These actions are to:

- Proactively identify and provide project support for new or expanding livestock enterprises;
- Increase access to capital for livestock producers; and

- Develop and implement strategies to attract new people to the livestock industry.

The activity by SAFRR and the results associated with each of these key actions follows:

- **Proactively identify and provide project support for new or expanding livestock enterprises**

- SAFRR provided assistance to over 50 rural and First Nation communities throughout the province that were interested in developing pork, feedlot or cow-calf projects. The size of feedlot projects examined ranged from 1,000 to 30,000 head. Approximately 15 communities are expected to begin building such facilities in the next one to three years, representing nearly $45 million in capital construction.

- During 2002-03, at least four new feedlots opened for business in Saskatchewan, with a combined capacity of 25,000 head. All have plans for expansion in the future. In addition, two 5,000-sow operations opened in the province last year.

- Numerous permits were also issued for construction of smaller units. For the fiscal year, a total of 57 Intensive Livestock Operations (ILOs) approvals were issued, representing $56.8 million in capital value.

- Reference materials entitled "Guidelines for Project Development" and "A Roadmap for Livestock Development Projects" were prepared and made available to project proponents, local governments, and industry groups. Staff also developed and posted on the SAFRR Web site "Commonly Asked Questions Regarding Livestock Development." The document is updated on an ongoing basis, and new questions and answers are added as they arise.

During the past year, SAFRR also engaged in a number of on-going activities that are related to and supportive of the key action. These include:

- The development and delivery of a number of industry information and training programs, either independently or in partnership with industry. These included the Saskatchewan Pork Industry Symposium, the Saskatchewan Pork Expo, the feedlot school, the cow-calf school, occupational health and safety training for pork producers, a pork industry reproduction course, a series of veterinary technician courses and calving workshops for cow-calf producers and trainees, and meat quality workshops.

- Participation with the Saskatchewan Association of Rural Municipalities (SARM), Agrivision Corporation, producers and Saskatchewan Government Relations and Aboriginal Affairs (GRAA) to develop a template for municipal livestock development bylaws. This initiative is to assist Rural Municipal (RM) councils to better address the issues of land use, public process, and decision-making. A pilot project involving six municipalities is underway.

To support the economic viability and the expansion of the livestock industry over the longer term, a broad range of research activity is supported by the department. Specific programming and funding activities include:

- The Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF). During 2002-03, these funds provided $2,760,168 to 59 projects in the livestock area. An example of funding made available during the fiscal year was $54,000 to the University of Saskatchewan (U of S) to evaluate feed requirements for wintering beef cows, and to use the results to make recommendations to nutritionalists and livestock agrologists in redefining computer software such as "Cowbytes" for creating diet formulas for livestock producers.

- The Saskatchewan Beef Development Fund (BDF). In 2002-03, the BDF provided support of $146,795 for nine research projects covering beef industry structure, cattle production, nutrition, breeding, disease control and beef processing. The BDF was established in 1994 to administer the Beef Development Plan and uses funds from two sources: the fund which remained following the termination of the National Tripartite Stabilization Program and the surplus from the Saskatchewan Beef Stabilization Board marketing account. The Fund is administered by the Saskatchewan Beef Development Board, composed of six members appointed by the Minister of Agriculture, Food and Rural Revitalization.

- The Vaccine and Infectious Disease Organization (VIDO) and the Prairie Swine Centre. During 2002-03, SAFRR provided $300,000 in funding to support research and development as part of a five-year (2001-06) agreement with VIDO for research in disease control and vaccine production. SAFRR also provided $250,000 in funding to support research and development in quality pork production as part of a five-year (2001-06) agreement with the Prairie Swine Centre Inc.

New or expanding livestock enterprises also benefit from the provincial Livestock and Horticultural Facilities Incentive Program. This program provides an annual rebate of the Provincial Sales Tax (PST) paid on building materials used in livestock operations, as well as greenhouses, or vegetable and raw fruit storage facilities.

During 2002-03, the total number of applications received by the department for this program, and the total refund by type of operation is as follows:

Livestock and Horticultural Facilities Incentive Program

Type of Application	# Applications	Total Refunds
Hog	51	$899,298
Cattle	106	147,649
Dairy	29	164,278
Poultry	20	79,027
Bee	5	2,188
Feed Mills	4	125,179
Other	17	21,537
Total	**290**	**$1,439,156**

Project support offered by the department for new and expanding livestock enterprises can only be successful if the regulatory and technical infrastructure is in place. During the fiscal year, the department:

- Provided livestock inspection services at 52 auction markets, 22 feedlots, one major packing plant, and seven abattoirs. A total of 1,693,896 animals, which were reported on 150,886 manifests, were inspected.

- Documented livestock movement through the issuance of 53,265 permits.

- In respect to game farm activity, issued 32 new licenses, bringing total licensed game farm operators in the province to 619.

  These operations have approximately 45,600 game farm animals (elk, white-tailed deer, mule deer, fallow deer, big horn sheep, caribou and reindeer).

o Increase access to capital for livestock producers

- SAFRR administers the Livestock Loan Guarantee (LLG) Program, which assists Saskatchewan residents to establish production associations and to borrow funds on the strength of a government guarantee to the lender and the association's assurance fund. The funds are used by associations to purchase cattle, sheep and feeder bison. Several changes to the program were undertaken in 2002-03:
  - Increased the lending limit for producer associations from $5 million to $6 million.
  - Added the Enhanced Feeder Option, which allows corporate feedlots to join associations and access capital for the purchase of feeder animals.
  - Received approval to proceed with the development of an Individual Feedlot Loan Guarantee Program.
  - Amended *The Farm Financial Stability Act* to exempt producer associations from provisions of *The Personal Property Security Act*.

Program statistics for the previously mentioned Livestock Loan Guarantee (LLG) Program are as follows:

	2001-02	2002-03
Number of cattle associations	124	123
Number of members	6,139	6,313
Loan Guarantees (cattle)	$30.18M	$26.28M
Feeder Cattle purchased (head)	120,315	104,660
Value of Feeder Cattle purchased	$94.3M	$75.1M
Breeder Cattle purchased (head)	27,217	26,404
Value of Breeder Cattle purchased	$31.4M	$30.0M
Feeder Bison purchased (head)	295	34
Value of Feeder Bison purchased	$266,000	$21,100
Breeder Sheep purchased (head)	1,225	880
Value of Breeder Sheep purchased	$162,000	$58,900

- In response to the severe drought experienced in many areas of the province, the Livestock Drought Loan Program was enacted under *The Agricultural Credit Corporation of Saskatchewan Act* in August 2002. The program allowed livestock producers access to funds to assist in maintaining their breeding herds.
  - Drought loans based on $50 per animal unit of eligible stock were available through the producer's bank or credit union.
  - The loans were at the financial institution's prime rate and are 100 per cent guaranteed by the Government of Saskatchewan under this program.
  - Loans required an interest only payment the first year. This interest will be paid through the Livestock Drought Loan Program in the form of a grant directly to the lender on behalf of the participant.
  - The balance of the loan is to be paid by the participant over the following three years. All loans are to be fully repaid by December 31, 2006.
  - As of March 31, 2003, lending institutions had disbursed 2,277 Livestock Drought Loans for a total of $11.5 million.
- The Herd Retention Program (HRP) provided drought relief to livestock producers who faced drought conditions in 2002. The program details and activity included:
  - Payments to producers based on the number of eligible livestock and the severity of the drought.
  - Drought regions were established using Environment Canada and other third party precipitation data.
  - The 2002 program received almost 10,000 applications and has provided producers with over $14 million of assistance. The deadline for this program was December 31, 2002.
- In November 2002, a Short Term Hog Loan Program was announced, in response to the high feed prices and depressed market prices that hog producers were experiencing. This program is similar to the one implemented

in December 1998. Program details and activity include:

- A term loan of up to $50 per slaughter hog and $10 per weanling hog sold from September 3, 2002, to April 30, 2003.

- As of March 31, 2003, there were 84 hog loans approved for total advances of $11,691,033 and 20 weanling loans approved for total advances of $293,820.

The initial Short Term Hog Loan Program that was announced in December 1998 assisted hog producers in offsetting operating losses due to a severe reduction in hog prices at that time. The program disbursed a total of $11.4 million up to May 29, 1999, based on marketings of approximately 417,000 hogs and 36,000 weanlings to 221 active hog producers. Repayments on all loans commenced April 1, 2000, and loans were to be repaid in full by March 31, 2003.

As of March 31, 2003, the outstanding loans were as follows:

Mature Loans	29 loans	$161,491
Weanling Loans	5 loans	18,073
Totals	34 loans	$179,564

o **Develop and implement strategies to attract new people to the livestock industry**

- SAFRR, in conjunction with Saskatchewan pork production companies engaged in the promotion of opportunities for pork production in the province with individual producers and production companies in Manitoba, Ontario and Quebec.

- The department initiated and organized a trade mission to Holland and Denmark in conjunction with a large pork producer from Saskatchewan.

- In pursuit of skilled labour, staff worked with two major pork producers to stage a personnel recruitment drive at the agricultural colleges in Vermillion and Olds, Alberta and participated in a pork industry career night for University of Saskatchewan College of Agriculture students.

The department also participated in the "Last Cattle Frontier" initiative in partnership with the Good Spirit Regional Economic Development Authority (REDA), the City of Yorkton, and Ducks Unlimited. The "Last Frontier" tour was a series of seminars presented by SAFRR staff in Ponoka and Westlock, Alberta, which promoted the financial benefits of raising cattle in eastern Saskatchewan and the social benefits of living in the Yorkton area.

To date, a number of cow-calf producers from Alberta have purchased land in Saskatchewan and are setting up cow-calf operations, particularly in the east-central area of the province. These cow-calf operations tend to be quite large and are very positive for the livestock industry and the provincial economy. This trend of Alberta cow-calf producers moving to Saskatchewan is expected to continue.

Legislation to remove restrictions on ownership of Saskatchewan's farm land became law on January 1, 2003. The new law removes all restrictions on ownership for Canadian individuals and companies, while the rules for non-Canadian owners remain at 10 acres for both individuals and non-Canadian-owned entities. These rules were designed to foster increased investment to ensure the long-term sustainability of our rural communities. Stakeholders have said removing ownership restrictions would encourage development in both the livestock industry and our value-added sectors.

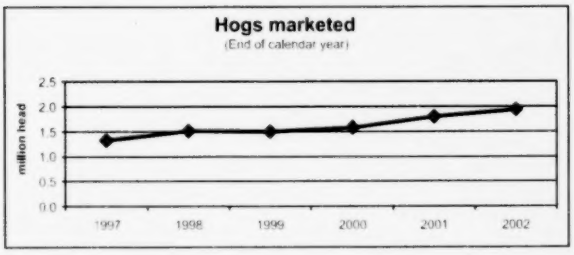
SAFRR is also working with Government Relations and Aboriginal Affairs on the Farm Owner-Operator category of the Saskatchewan Immigrant Nominee Program (SINP). Since January 2002, foreign farmers have been able to have Saskatchewan nominate them to the federal immigration process, provided they meet the specified criteria. To date, there have been a number of inquiries and visitors exploring the SINP process. Approximately 30 farmers from the United Kingdom have purchased farms and immigrated to Saskatchewan with their families in the past two years.

Measurement Results

The 2001-02 annual report indicated that progress toward achieving the objective of increased livestock production would be measured by growth in Saskatchewan's primary beef and hog production, and cow herd size. Specific measures are:

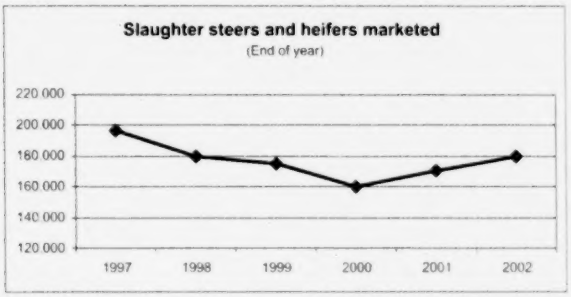
- Changes in the number of hogs marketed;
- Changes in the number of slaughter steers and heifers marketed; and
- Growth in the beef cow herd size.

The following trends and measurement results for these specific measures follow.



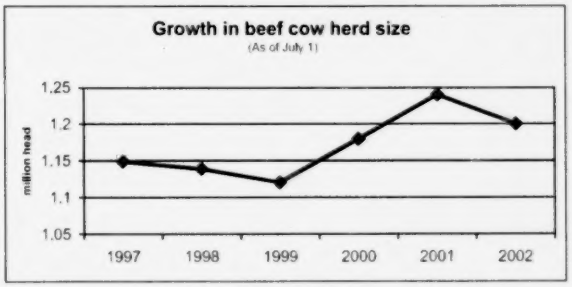
Source: Statistics Canada

During 2002, the number of hogs marketed reached 1.94 million animals. This represents an increase of 150,000 over the previous year and an increase of 360,000 from the 2000 starting point identified in last year's annual report.



Source: SAFRR Cattle Marketing report

During 2002, 180,050 slaughter steers and heifers were marketed, an increase of approximately 10,000 over the previous year and about 20,000 over the recent low identified as the base in the 2001-02 annual report.



Source: Statistics Canada

Midway through 2002, the beef cow herd in Saskatchewan was estimated by Statistics Canada at 1.2 million head. This represents a decrease of 40,000 animals from the level of a year earlier, but is well above the recent low set in 1999 of 1.12 million. By January 1, 2003, the beef cow herd had recovered to mid 2002 levels and was up two per cent from numbers reported on January 1, 2002.

Objective 2 – Increased Value of Crop Production

The production of increased value per acre of crop land will result in a larger rural economy and more employment in rural Saskatchewan. This may be achieved through higher yields, more intensive use of land and the growing of higher value crops.

Because of the severe drought in 2002 no progress was made toward this objective during the fiscal year. The actual result was that the value of crop production for the year declined, compared to a year earlier. However the impact of the 31 per cent decline in the dollar generated per acre of crop was largely offset by record crop insurance payments as well as other government payments.

To help realize the objective of increased value of crop production, the department identified four key actions. These actions are to:

- Assist the sector to pursue economic opportunities arising from the utilization of innovative life science-based products;
- Provide more specialized technical production information and services that will allow producers to explore new, higher-value crop opportunities;
- Expand capacity for crop disease and pest surveillance; and
- Fund research into higher value crops such as pulses.

The activity by SAFRR and the results associated with each of these key actions follows:

- **Assist the sector to pursue economic opportunities arising from the utilization of innovative life science-based products.**

  - In 2002-03, SAFRR provided funding in the amount of $1,298,000 to Ag-West Biotech to assist in the continuation of its activities and ag-biotech research. Ag-West Biotech Inc., located at Innovation Place in Saskatoon, promotes the development of the agricultural biotechnology sector in Saskatchewan through marketing and information. Ag-West Biotech serves as an umbrella organization for the numerous ag-biotech companies.
  - The programs that Ag-West Biotech administers include funding for biotechnology companies to develop or locate in the province. Over 26 companies were assisted in 2002-03. The Saskatchewan AgBiotech Regulatory Affairs Service (SARAS) provides information to help companies commercialize products, as well as providing information to policy makers. The Saskatchewan Agricultural Biotechnology Information Centre (SABIC) is a hands on laboratory to provide information about the science of biotechnology to students, producers, consumers, foreign delegations and business leaders.

- **Provide more specialized technical production information and services that will allow producers to explore new, higher-value crop opportunities.**

Provincial specialists monitor research programs and develop technical information for use by producers to improve their production of traditional annual crops and forages and to assist in the adoption of new crops.

- In conjunction with the Saskatchewan Pulse Crop Development Board, SAFRR delivered a series of informational meetings to deliver up-to-date agronomic and marketing information in 12 locations throughout the province.
- SAFRR provided commercial vegetable and greenhouse seminars as well as diagnostic services to assist greenhouse operators to identify and correct production problems.
- The department provided workshops on orchard management, planting, pruning and grafting for fruit growers managing their orchards.
- Wild rice harvesting workshops were organized to improve harvested product quality, and the industry was assisted in organizing organic certification of their production.

- Organic marketing and production seminars for grain and beef producers were held.

SAFRR also investigated 11,298 acres (3,225 acres within Irrigation Districts; 7,379 acres for non-district clients) for possible irrigation development using its Global Positioning System (GPS) and Geographic Information System (GIS) technology. There were 694 acres investigated for non-agriculturally-based projects.

In conjunction with Saskatchewan Environment, the Prairie Farm Rehabilitation Administration (PFRA) and the Saskatchewan Research Council (SRC), SAFRR is supporting a number of initiatives in the area of agroforestry. SAFRR's specific involvement includes the co-ordination of establishment sites, activities, and budget expenditures to illustrate alternative land uses with an economic return in the parkland area of the province.

o Expand capacity for crop disease and pest surveillance

- The Crop Protection Laboratory provides crop diagnostic services for weeds, insects, plant diseases, and herbicide resistance. The lab also houses the late blight potato monitoring program, the Dutch elm disease hot line and diagnostic service, and the bertha armyworm monitoring program. During 2002-03:

  - The lab diagnosed 1,014 submissions. The submissions by category were: weeds, 65; insects, 60; plant diseases, 404; Dutch elm disease, 364; and herbicide resistance screening, 121.

  - The lab completed the necessary actions to enable screening of strawberry crowns for specific nematode (tiny invertebrate worm) species. This will allow Saskatchewan producers to sell strawberry crowns into the lucrative California market, which has a quarantine in place on a number of species.

- The department operated the Bee Laboratory in Prince Albert to analyze bee samples for infestations of tracheal mites. About 1,400 samples were analyzed for Saskatchewan beekeepers.

- In conjunction with the Saskatchewan Seed Potato Growers Association, SAFRR operated a late blight monitoring and forecasting program. The potato industry was also assisted in dealing with international concerns over potato mop top virus.

- In 2002, insect surveys were coordinated for bertha armyworm, grasshopper and wheat midge. These projects included data interpretation, and the publication and distribution of survey results. Most surveys are conducted on an annual basis. However, the bertha armyworm survey results were updated weekly during the growing season.

- Plant disease surveys were coordinated for fusarium wilt of canola and fusarium head blight of cereals. The fusarium head blight survey provides information to producers, industry, government, and scientists as to the prevalence and severity of the disease within the province.

In 2002-03, SAFRR facilitated the work of a research specialist and industry committee to redevelop recommendations for control of ascochyta on chickpeas. Funding was also provided to the Crop Development Centre to develop and utilize a non-field screening technique for fusarium head blight resistance in barley.

The department applied for and obtained emergency registration of Folicur fungicide for the control of fusarium head blight in spring wheat, and for the emergency registration of Quadris fungicide for the control of ascochyta blight of chickpea.

Information was provided to industry groups dealing with export market concerns about verticillium wilt and residues in forages.

SAFRR also lead the entomology component of the provincial West Nile virus strategy.

o Funding for research into higher value crops such as pulses.

The Saskatchewan Agriculture Development Fund (ADF) and the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) are the major channels for provincial agricultural research funding for the crops sector.

- During 2002-03, these two funds provided $4,808,428 to 171 projects in the crops area. Crop related research included the areas of field crops, horticulture, forage crops, plant breeding, plant disease and pest control.

- Under the ADF, allocations to the crops sector accounted for about 44 per cent of funding available. This went to 135 projects, representing 56 per cent of the total number assisted by the fund.

- The AFIF provided $885,280 to 36 projects in the crop area.

- Between the two programs, crop related research accounted for 54 per cent of research projects and 39 per cent of expenditures.

The ADF funding activity extends beyond crops and includes agriculture and food research and development in the province. In 2002-03, SAFRR, under the ADF research and development component provided support totaling $8,942,543 for 94 on-going projects, 77 new projects, and 71 completed projects.

Similarly, AFIF was created to promote and support emerging primary production and value-added processing activities within the province. The agreement establishing this fund, the Canada-Saskatchewan Agri-Food Innovation Fund Agreement, expired March 31, 2003. The fund will continue to operate under *The Saskatchewan Agri-Food Innovation Act* with a Saskatchewan Board of Directors. The fund will manage ongoing contracts.

Also in 2002-03, the department funded 22 projects for a total of $4,363,543 under the ADF - Strategic Research Program agreement which exists with the University of Saskatchewan. A number of these projects were in the crops area.

A complete summary of funding allocations by major project areas during the 2002-03 fiscal year under the Agriculture Development Fund and the Agri-Food Innovation Fund is provided in the following table.

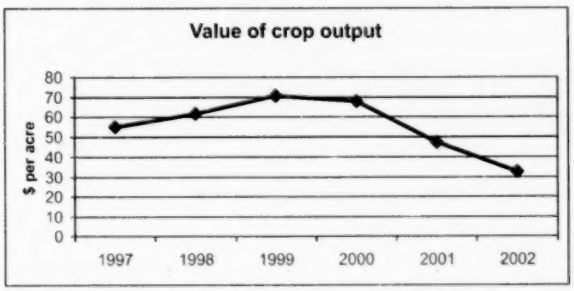
2002/03	General	Livestock	Crops	Environmental Stewardship (Soils, Air and Water)	Value-Added	Total
ADF	1,532,090	2,022,967	3,923,149	435,148	1,029,189	8,942,543
# of Projects	10	34	135	20	43	242
AFIF	1,544,776	737,221	885,280	25,769	308,035	3,501,080
# of Projects	8	25	36	3	4	76
Total $	3,076,866	2,760,188	4,808,429	460,917	1,337,224	12,443,623
Total # of Projects	18	59	171	23	47	318

Measurement Results

The 2001-02 Annual Report indicated that progress toward achieving the objective of increased value of crop production would be measured by changes in the dollar value generated per acre of crop produced. The specific measure is:

- Value of crop output in dollars per acre.

The trend and measurement results for this specific measure follows.



Source: Statistics Canada

In 2002, the value of crop output per acre, as calculated by SAFRR, was $32.54 per acre, reflected the severe drought that was experienced during the year. Value of crop output for the year was slightly less than half that reported for 2000, which is the starting point for this measure as noted in the 2001-02 annual report. That year, the value of crop output per acre was calculated to be $68.10.

Objective 3 – Expanded Processing of our Primary Production

Further development of the provincial processing sector is the next step toward creating activity and jobs. This includes the creation of consumer-ready food and non-food products. Increased processing, particularly outside of urban centres, will help the rural economy and keep smaller communities viable.

SAFRR achieved modest progress toward achieving this objective. The change in the agri-value Gross Domestic Product (GDP), representing the contribution of food, beverage and feed processing to the provincial GDP, was an increase of 2.3 per cent to slightly more than $429 million.

To help realize the objective of expanded processing of our primary production, the department identified four key actions. These actions are to:

- Proactively target food-processing companies for new investment in Saskatchewan;
- Deliver product development, food safety and process improvement training to allow Saskatchewan processors to position their products competitively;
- Provide focused market and competitive information to advance the development of the agricultural processing industries; and
- Provide path finding teams to assist new or expanding processing businesses.

The activity by SAFRR and the results associated with each of these key actions follow.

- **Proactively target food-processing companies for new investment in Saskatchewan**

  - Saskatchewan has a coordinator assigned to deal with inquiries and new leads related to locating processing plants or agriculture business in Saskatchewan. This position assists in identifying investor needs and working with partners to provide information that will assist in bringing new investment to Saskatchewan, along with its associated benefits.

During the past year, SAFRR also engaged in a number of on-going activities that are related to and supportive of the key action. These include:

- SAFRR welcomed 15 incoming delegations, originating from countries that included Japan, Russia, Mongolia, Philippines, Nicaragua, Mexico, Hong Kong, Netherlands, India, United States,

Iran, China and Ukraine. Saskatchewan business representatives were invited to meet with incoming delegations to maximize exposure to potential markets, investment, partnerships and alliances. For example, two incoming groups from Japan were in Saskatchewan to discuss opportunities in the nutraceutical industry.

- The Agricultural New Generation Co-operatives (ANGen) Program provides opportunities for farmers to work together to develop businesses for producing value-added products from their primary production. This program provides assistance for setting up a cooperative, feasibility studies, business and marketing plans, preparation of a prospectus and pre-design of facilities. In 2002-03, six groups received funding in the amount of $261,000.

- SAFRR administers the Agri-Value Program, a $250,000 program designed to encourage development and expansion of the value-added agri-food industries in Saskatchewan. Applications are received on a monthly basis and decisions regarding funding are made by a sub-committee of the ADF Board of Directors. During 2002-03, the Agri-Value Program received 30 applications and funded 14, for a total funding commitment of $243,799. The projects were primarily for further development of food products.

Additional financial support has been provided through the Agri-Food Equity Fund (AFEF), which was established in 1994 to stimulate growth of the processing industry in Saskatchewan. Since inception, AFEF approved investments consisting of over $24 million in 26 businesses, creating more than 450 jobs and expanding markets for our farm products. On March 27, 2002, the Government of Saskatchewan announced that AFEF would be wound down. On February 28, 2003, AFEF was transferred from SAFRR to the Agricultural Credit Corporation of Saskatchewan (ACS) for ease of administration purposes.

- **Deliver product development, food safety and process improvement training to allow Saskatchewan processors to position their products competitively.**

- SAFRR is focused on five priority markets: United States (Upper Mid-West), European Union (U.K., Germany), Japan, China, and Mexico. Emphasis is placed on activities that leverage partnership resources and contribute to the development of the agri-value sectors as well as the agricultural sector. SAFRR also increased its participation on priority market teams agreed upon by the federal and provincial governments. Participation on these teams provides Saskatchewan greater access to export initiatives that share costs among provincial and federal partners.

- SAFRR worked with federal and provincial governments to manage and finance a Mexican Border Clearance Representative Service for Saskatchewan agri-food companies experiencing difficulties at the border with export documentation. Several Saskatchewan companies participated in the program and found it useful in overcoming the logistical barriers associated with exporting to Mexico.

- **Provide focused market and competitive information to advance the development of the agricultural processing industries.**

- SAFRR staff participated in a variety of initiatives to develop value chains, including:
  - A natural beef value chain project;
  - A "Canadian Prairie Lamb" value chain project; and
  - The Bison Feeders Co-op of Saskatchewan.

- SAFRR funded a study to assess the market opportunities in North America

for processed pulses in ethnic Middle Eastern and Indian markets. Market information was obtained in Vancouver, Toronto and New York through meetings with distributors and retailers.

- SAFRR participated in the organization of five outgoing missions, one of which included a Saskatchewan company as a participant. SAFRR partners very closely with Saskatchewan Trade and Export Partnership (STEP) in assisting companies to reach their export targets and potential.

In an effort to raise the international profile of the province's food processing industry, SAFRR partnered with the Saskatchewan Food Processors Association (SFPA) to purchase a one-page advertisement in the official show guide at SIAL Montreal. SIAL Montreal, a bi-annual International Food, Beverage, Wine and Spirits Exhibition, is the largest show devoted to catering products, food and beverage retail products and products served in the hotel and restaurant trade.

o **Provide path finding teams to assist new or expanding processing businesses.**

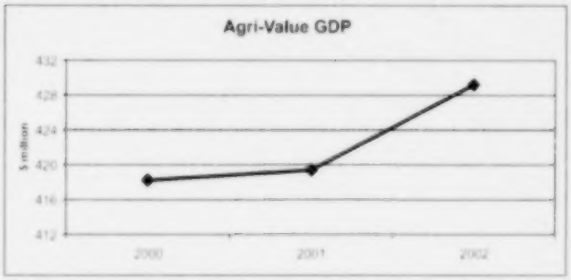
- During 2002-03, the Canada-Ukraine Beef and Forage Development project was successfully completed. This was a four-year Canadian International Development Agency (CIDA) funded project in partnership with Manitoba Agriculture and Food, and Saskatchewan Trade and Export Partnership (STEP). Saskatchewan specialists prepared and delivered training modules, and Saskatchewan seed and genetics companies demonstrated products creating valuable exposure and business contacts. The positive exposure from this project has resulted in a number of Ukrainian groups travelling to Saskatchewan to investigate and/or purchase genetics, seed andmachinery from Saskatchewan companies.
- SAFRR also worked with its federal and provincial partners to strengthen the marketing impact of Saskatchewan organic products in the EU. SAFRR contributed to a Saskatchewan industry mission to the BioFach Organic Tradeshow in Germany in February 2003, by updating and re-printing the Saskatchewan Organic Processor and Marketing Directory. Seven Saskatchewan companies presented their products to potential EU buyers.

Measurement Results

The 2001-02 annual report indicated that progress toward achieving the objective of increased value of expanded processing of our primary production would be measured by changes to the agri-value Gross Domestic Product (GDP) measured by Statistics Canada, which indicates the contribution of food, beverage and feed processing to the provincial GDP. The specific measure is:

- Agri-value (food processing, feed processing) GDP.

The trend and measurement results for this specific measure follows.[1]



In the 2001-02 annual report the agri-value GDP for 2000 was reported to be $207.3 million. In 2002, due to the adoption of the North American Industrial Classification System (NAICS) for analyzing shipments and trade, a new processing baseline for 2000 was established.

Source: Statistics Canada

In calendar year 2002, agri-value GDP was $429.2 million, an increase of approximately $10 million from the previous two years.

Objective 4 – Enhanced Environmental Stewardship

It is economically important to utilize progressive farming and processing practices in an environmentally sound manner that maintains our soil and water resources and does not pollute.

SAFRR achieved modest progress toward achieving this objective in 2002-03. Despite the severe drought in 2002, the high level of conservation tillage that is utilized minimized the amount of soil erosion that would have previously occurred under such adverse conditions. It may also be noted that there was a further reduction in summerfallow area as a percentage of total cultivated land to 17.7 per cent.

To help realize the objective of enhanced environmental stewardship, the department identified two key actions. These actions are to:

- Refine and improve the environmental strategy for the agricultural sector (including indicators, targets and timetables), in consultation with industry and other departments, which reduces agricultural impacts on water quality, air quality, soil quality, and biodiversity; and
- Provide specialist services for environmentally sustainable crop and livestock production.

The activity by SAFRR and the results associated with each of these key actions follow.

- **Refine and improve the environmental strategy for the agricultural sector (including indicators, targets and timetables), in consultation with industry and other departments, which reduces agricultural impacts on water quality, air quality, soil quality and biodiversity.**

  - The department participated in climate change strategy development and related soil issues including carbon sinks, nitrogen use efficiency, cropping systems, methane reduction and residue management.

  - SAFRR led in the management and preservation of natural habitat through land use planning. Stakeholders included: oil and gas exploration companies, Saskatchewan Environment, grazing lease holders and ecotourism operators. Staff advised on projects which included the Great Sand Hills, Bronson Forest, the Grand Cheviot Land Use Plan, Canadian Nature Federation and community pastures.

During the past year, SAFRR also engaged in a number of on-going programs and activities that are related to and supportive of this key action:

- The Conservation Cover Program (CCP) provides funds to producers to convert land from annual crop production to perennial cover. The establishment of increased perennial cover has promoted land stewardship and helped address issues related to soil conservation, protecting water resources, reducing greenhouse gas emissions, and conserving Saskatchewan's biodiversity. The program is in effect from 2001-02 to 2003-04.

  - In 2002, the program offered producers an initial acreage payment of $7.50 per acre up to a maximum of 50 acres. A program budget of $3.89 million allowed for an additional prorated second payment of $5.30 to be made to producers.

  - For the 2002-03 fiscal year, the program had 6,224 applicants who received payments on over 301,854 eligible acres.

  - Applicants also seeded an additional 104,010 acres to perennial cover over and above the area for which the grant was paid.

- The Agriculture Development Fund and the Agri-Food Innovation Fund provided $460,917 to 23 projects in the environmental stewardship area. Examples of projects funded include:

  - $51,064 to the U of S to monitor the odour exposure levels in the vicinity of ILOs regarding frequency, intensity, duration and offensiveness using trained resident odour-observers, and to validate dispersion models for Saskatchewan situations to predict odour intensity.

  - $34,000 provided to the Prairie Swine Centre Inc. to develop a system that will limit or prevent worker exposure to high H_2S concentrations. This was achieved by utilizing a pit plug pulling and holding mechanism that allowed the plug to be pulled above the manure channels to capture gas emitted and put it back into the solution with the manure. They also utilized a manure scraper system for frequent removal of the manure solids.

- Annual surface water quality samples were collected in four areas for the fifth year in succession. Water samples were collected from water courses adjacent to land available for manure spreading. This work is being done jointly with Saskatchewan Environment.

o **Provide specialist services for environmentally sustainable crop and livestock production.**

SAFRR provided technical assistance on site locations for livestock operations to developers, producers and communities.

- Tri-Provincial Manure Application and Use Guidelines were developed in conjunction with officials from Alberta and Manitoba. These guidelines may be used in the environmental characterization and assessment of potential ILO sites, and for the design of manure storage units and approaches of manure application.

- The Manure Management Stewardship Curriculum was also developed and delivered as a prairie initiative.

- The department delivered a number of presentations to communities and the industry on "Managing Manure as Fertilizer" and "Issues Surrounding Livestock Development." Staff continued to lead and work with the Manure Management Working Group to identify and prioritize manure management needs across the province.

- SAFRR staff cooperated with Manitoba Agriculture and Food officials to revise the Manure Application Rate Calculator (MARC), which provides producers and consultants with a tool for calculating manure application rates.

- The department collected water samples from eight livestock operations. These samples were analyzed for water quality to ensure the operations were in compliance with special conditions that were applied when operational approvals were granted.

During 2002-03, SAFRR also engaged in a number of on-going programs and activities that are related to and supportive of this key action.

Under *The Pest Control Products (Sask.) Act* and Regulations the department is responsible for pesticide applicator, service and vendor licensing to ensure the responsible use of pesticides. An applicant for any license must pass a pesticide applicator course offered by the Agriculture Division of the Saskatchewan Institute of Applied Science and Technology.

There are currently 14 license classes that reflect the types of pesticide application being conducted. All courses are available either as classroom or home-study, with the exception of the aerial application class. Applicators are required to be recertified every five years. Exemptions to this requirement include

individuals who apply pesticides to land they own or rent.

During 2002-03, SAFRR issued 1,893 pesticide applicator, 501 service and 444 vendor licenses.

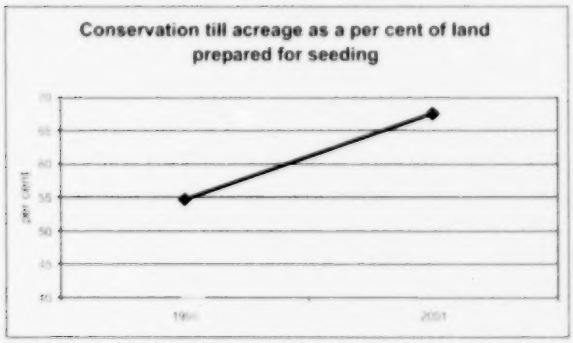
In response to farmers' and ranchers' concerns, SAFRR successfully applied and received a third emergency registration for the use of a strychnine concentrate for the control of Richardson's Ground Squirrels. The department also participated in two research projects that address the environmental impacts of pesticide use in the Ground Squirrel Control program and which consider alternative rodenticides.

Measurement Results

The 2001-02 annual report indicated that progress toward achieving the objective of enhanced environmental stewardship would be measured by changes in the adoption of conservation tillage practices. This data is gathered through a Census of Agriculture, which is performed every five years. The specific measure is:

- Conservation till acreage as a percentage of land prepared for seeding.

The following trend and measurement results for this specific measure, as reported in the Agriculture Census that is performed by Statistics Canada, follows.



Source: Statistics Canada Census Information

Statistics Canada began collecting this data with their 1996 Census. As a result, only two values are available. The adoption of this technology increased significantly over the five year period examined.

Objective 5 – Improved Food Safety Standards

Consumers throughout the world increasingly demand that high safety standards be observed in the production of food they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.

SAFRR made significant progress toward achieving this objective in 2002-03, as indicated in the following report on key actions. However, a specific performance measure for this area remains under development.

To help realize the objective of improved food safety standards, the department identified two key actions. These actions are to:

- Refine and improve the food safety strategy for Saskatchewan's agricultural production and processing sectors; and
- Assist industry in implementing on-farm food safety programs.

The activity by SAFRR and the results associated with each of these key actions follow:

- **Refine and improve the food safety strategy for Saskatchewan's agricultural production and processing sectors.**

SAFRR efforts in this area during 2002-03 were concentrated in advisory and training services for companies in the areas of food safety and quality assurance programs, and in continuing enhanced Bovine Spongiform Encephalopathy (BSE) and Scrapie surveillance. During the year:

- SAFRR provided advisory and training services to assist 61 Saskatchewan

companies in the development of food quality systems and Hazard Analysis Critical Control Point (HACCP) plans. The purpose of these services was to assist companies to maintain their access to markets or to increase their ability to enter new markets. The training programs focused on issues related to: safe food handling, HACCP, sanitation, and auditing and awareness of new international programs in food safety such as Safe Quality Foods. The programming was provided at the Food Centre in Saskatoon and at on-site locations to 194 persons from nine Saskatchewan food manufacturing companies.

- Enhanced BSE and Scrapie surveillance was performed through Prairie Diagnostic Services (PDS), the veterinary diagnostic laboratory in Saskatchewan. All heads of cattle over 24 months and sheep over 12 months that were sent to PDS were tested using Immunohistochemistry. The department collected the Saskatchewan data for national statistics on the number of animals examined for Transmissible Spongiform Encephalopathies, which includes Chronic Wasting Disease (CWD), BSE, and Scrapie. These statistics are necessary to assure our trading partners that adequate surveillance is present for these diseases, particularly BSE.

During the year, the national voluntary CWD Certification Program was combined with the mandatory provincial CWD Surveillance Program to provide a seamless surveillance and certification program to domestic game farmers. The department provided leadership and support in the development of this initially voluntary, then mandatory, monitoring program.

o **Assist industry in implementing on-farm food safety programs.**

An On-Farm Food Safety Specialist provides expertise and develops programming oversight for on-farm food safety programs for a number of commodity areas.

- SAFRR provided leadership and technical support to the industry in the development of the following on-farm food safety\quality assurance programs:
  - Saskatchewan Quality Starts Here Working Group (cow-calf);
  - Sheep On-Farm Food Safety Technical Committee;
  - Canadian Cervid Council's on-farm food safety technical committee; and
  - Canadian Quality Assurance Program for hogs.

- The department assisted the Saskatchewan horticulture industry to participate in the Canadian Horticulture Council's On-Farm Food Safety program.

- Staff participated in the development and marketing of the Canadian Cattle Identification Program, and led the provincial communications initiative.

- SAFRR initiated a departmental beef disease working group to look at Johne's Disease and other production-limiting diseases. The objectives of the group include education for producers and veterinarians, and the possible development of a herd status program.

Department staff also chaired the on-going interdepartmental risk assessment committee developing import protocols for game farm animals. Staff participated in the Canadian Food Inspection Agency initiative to develop Chronic Wasting Disease (CWD) sentinel farms in Saskatchewan. SAFRR also developed a draft protocol on biosecurity for livestock inspectors.

Measurement Results

The 2001-02 Annual Report reported that progress toward achieving the objective of improved food safety standards would be measured by the per cent of Saskatchewan food processors adopting food safety/quality assurance programs and/or certification. This proved to be too broad a measure. An appropriate measure is being developed.

Goal 2
Strong and resourceful agricultural people and families.

Agriculture people and families with better tools and resources to plan for their future.

SAFRR recognizes that Saskatchewan people are our most valuable resource when it comes to developing the agriculture and food industry. People must have the tools they need to make decisions regarding their individual operations to achieve that development - whether they are considering diversification and/or expansion of their operations, or exploring off-farm opportunities.

SAFRR achieved significant progress toward achieving this objective in 2002-03. During the past year there were 1,041 program inquiries to the Farm Family Opportunities Initiative. Of these, there have been 223 applicants approved for training or diversification assistance, with an additional 356 under active consideration.

To help realize the objective of agricultural people and families with better tools and resources to plan for their future, the department identified three key actions. These actions are:

- Provide tools and training opportunities for on-farm diversification, off-farm businesses and off-farm employment that will improve income prospects for farm families;
- Enhance SAFRR's technology transfer program to ensure the information and technical needs of producers are being met; and
- Effective, affordable safety net/disaster programs.

The activity by SAFRR and the results associated with each of these key actions follow.

- **Provide tools and training opportunities for on-farm diversification, off-farm businesses, and off-farm employment that will improve income prospects for farm families.**

SAFRR initiatives in support of this area include the Farm Family Opportunities Initiative and the Farm Stress Unit. Details on these programs are as follows:

- The Farm Family Opportunities Initiative (FFOI) was introduced as a new program in the provincial budget on March 27, 2002. The program is targeted at farm families with average incomes over the last three years of below $30,000 (from all sources) and a present net worth of less than $400,000. The maximum support per family is $7,500. The program includes three components:

  - A farm business advisory service to assist qualified farm families to analyze the current state of their farm enterprise, their income generating potential and alternatives to supplement/replace family income. Farm families are assisted in utilizing this information to develop an action plan for enhancing family income from both farm and off-farm sources.
  - Diversification assistance, in which financial assistance is provided to defray some of the costs of changing or diversifying the farm business. The objective is to enhance the viability of the farm in the long-term.
  - Training/skills enhancement. Farm families are assisted in accessing advice and the training/skills development required to implement their action plan.

- During 2002-03, FFOI approved grants of $1,255,162 in assistance, including $324,521 for training and $930,641 for diversification.

- During 2002-03, 88 individuals from rural Saskatchewan received training in a number of areas such as running a bed and breakfast facility, home care/special aid courses, nursing, reflexology training, computer training, Class A driver's license, and holistic range management. The total expenditure by the department for training under this program in 2002-03 was $99,714.

- The department also established a special First Nations component to FFOI by working with the Federation of Saskatchewan Indian Nations (FSIN). Financial support of $100,000 from SAFRR was used to increase First Nation accessability to the FFOI program. FFOI representatives also provided advisory services to other farmers, groups and organizations as part of on-going activities and services to the agricultural industry in Saskatchewan.

- The Farm Stress Unit of SAFRR provides confidential peer counselling information, support and referral services in response to the needs of farm and agriculturally related people who are experiencing social, emotional, physical safety, and financial difficulty. These services are provided through the operation of the Farm Stress Line. In addition, SAFRR manages CONNECTIONS Service Directory, formerly the Saskatchewan Human Services Directory, and the Inquiry Line. During the 2002 calendar year:

  - The toll free Farm Stress Line received 988 calls, compared to 1,441 calls in the previous calendar year.
  - The SAFRR Inquiry Line responded to 6,000 calls, concerning a broad range of agricultural issues and requests for information.
  - The Farm Stress Unit continued to distribute "Farming in Difficult Times" kits. These kits contain a wide variety of information that allows farm people to respond to the various challenges that they are facing, such as human dimensions of agriculture and farm financial matters.
  - Through presentations and workshops, the unit reached 1,311 farm and rural people, compared to 865 in the previous fiscal year.

Financial issues were addressed in 18 per cent of calls to the Farm Stress Line. This includes discussions on insolvency, collection actions, and bankruptcy. Transition issues (exiting the farm, retirement, and pursuing educational opportunities) were the subject of 4.6 per cent of the calls. This is a slight increase over the previous calendar year. Farmers inquiring about or expressing views on farm support programs accounted for 2.5 per cent of calls. Callers also raised stress and burnout concerns (13.4 per cent), as well as a wide range of personal, relationship (marital) and family issues.

The CONNECTIONS Service Directory, a directory of business and human services, is an essential component of the Farm Stress Line. The service directory continues to be used by the Aboriginal Services Kiosk (ASK Directory), as one of their primary sources of information for updating their database directory.

To effectively perform its responsibilities, the Farm Stress Unit must remain connected with the farming community. This linkage is provided by the Farm Stress Line Advisory Group, which is composed of representatives of farm organizations. The advisory group provides the unit with advice on priorities and promotes the Farm Stress Line services.

- **Enhance SAFRR's technology transfer program to ensure the information and technical needs of producers are being met.**

SAFRR assists producers in making appropriate business decisions based on sound economic and technical analysis.

- During 2002-03, the Agri-ARM (Applied Research Management) Program was

initiated. This producer-driven, government and industry supported program is a collaboration at the regional level to develop new technologies and evaluate regional production practices that add value to production. The Agri-ARM program was established at eight locations across the province including Redvers, Canora, Melfort, the Conservation Learning Centre (Prince Albert), Seager Wheeler (Rosthern), Scott, Swift Current, and Indian Head.

- SAFRR staff developed or updated a variety of financial planners to help producers, developers and consultants assess the feasibility of a livestock operation. Planners are available for the pork (PorkPLAN), beef (feedlot and cow-calf models), bison and white-tailed deer sectors. In respect to crop production, reference information is available for cost of production calculations, land rental calculations and on-farm accounting issues.

- SAFRR trained producers in the operation of CowBytes, a cattle nutrition computer program which helps producers calculate and balance feed supplies. These sessions were particularly valuable in light of the drought situation and producers' need to make the most of their limited feed supplies. Department staff participated in the organization of the Western Canadian Feedlot School and the Western Beef Development Centre Cow-Calf Management School. The department was also involved in a number of forage research and demonstration projects throughout the province.

o **Effective, affordable safety net/disaster programs.**

Three programs exist to mitigate the farm income and production risks that are faced by Saskatchewan producers and are cost shared by the province and by the federal government. These are Crop Insurance, the Net Income Stabilization Account, and the Canadian Farm Income Program.

- Crop Insurance

  - Crop insurance is provided by the Saskatchewan Crop Insurance Corporation (SCIC), a provincial Crown corporation. Under various insurance programs, the corporation provided production insurance on 34 different crops and crop classes as well as a variety of forages. During the 2002 crop year, more than 34,000 customers insured 25.5 million acres of annual cropland and 4.2 million forage acres. This represents a total increase of 3.8 million acres from 2001. Seventy-four percent of all land seeded in 2002 was protected against natural perils through insurance.

  - During the course of the growing season, Crop Insurance performed approximately 100,000 crop inspections, more than double the average workload. Indemnities for 2002 exceeded $1 billion, surpassing the previous record amount of $466 million.

  - Due to poor harvest conditions, Crop Insurance granted more than 9,000 extensions in insurance coverage beyond the normal November 15 expiry date. As of March 31, 2003, an estimated 800,000 insured acres remained to be harvested in Saskatchewan.

  - In response to increased program costs in 2002, the provincial government identified adequate funding for the multi-peril program as its top priority. As a result, the spot-loss hail/fire coverage and variable price option were discontinued and funding for these products was redirected into the core program.

  - The Forage Rainfall Program, a new insurance program for

pastureland, was introduced province-wide in 2002. The program was based on precipitation variances from historical averages from April to July, as measured at a number of independent weather stations. Indemnities were based strictly on the data collected at these weather stations.

- The Annual Crop Rainfall Pilot Program was introduced, allowing producers to purchase an additional $10 per acre coverage. Like the Forage Rainfall Program, this program was also based on precipitation, utilizing weather station information from May to August.

- A number of other program improvements were implemented in 2002. These included:

• The Forage Establishment Benefit Option deductible was reduced from 30 to 15 per cent.
• Khorasan wheat/Kamut brand grain became eligible for insurance for certified organic producers in the brown and dark brown soil zones.
• Three insurable zones were created for chickpeas, with coverage in each zone calculated to reflect program experience and industry-recommended production guarantees.
• A pilot program for dryland dry beans was launched. Available in the Redvers and Rosthern areas, the dryland dry bean pilot recognized an emerging crop and industry interest in risk management options.

- In response to the worsening conditions in July, SAFRR's targeted drought assistance initiatives included additional amendments to crop insurance. Customers could be advanced 50 per cent of their projected claim, providing immediate funds to address drought concerns. Also, crops that were appraised as uneconomical to harvest could be grazed or baled, supplying much-needed feed for livestock, without having the feed value deducted from a producer's claim.

More detailed program and statistical information can be found in the 2002-03 Saskatchewan Crop Insurance Corporation Annual Report at http://www.saskcropinsurance.com/

• Net Income Stabilization Account (NISA)

- NISA is the second major component of the farm safety net package. The program is designed to provide a mechanism for producers to save money during good times, for lower income periods in the future. Producers can contribute up to three per cent of their annual eligible net sales and have it matched by governments (two per cent federal and one per cent provincial). In addition, governments provide an interest rate bonus of three per cent over and above the rate paid by financial institutions on any money contributed by producers to their NISA Account.

- As of March 31, 2003, there were 61,345 Saskatchewan participants in the NISA program. The account balance of Saskatchewan participating producers totaled $1.46 billion, compared to $1.28 billion a year earlier. Some of the year-over-year increase can be attributed to federal 2002 bridge funding payments that were made to producers' Fund 2 accounts. The average individual account balance is approximately $23,810, which represents over 30 per cent of the gross sales of the average Saskatchewan farm. Participants in the program are responsible for approximately 90 per cent of the eligible commodities produced in the province.

- Canadian Farm Income Program (CFIP)
  - The Canadian Farm Income Program (CFIP) is a whole farm income support program that provides payments to producers when their claim year margin drops below 70 per cent of their previous three-year average or five year Olympic average gross margin. (Gross margin is revenue less cash operating expenses). CFIP is the successor to the Agricultural Income Disaster Assistance (AIDA) program and has only minor program differences. It applies to the 2000, 2001 and 2002 tax years.

  - For the 2001 claim year (applications largely occur in the following calendar year), the CFIP Administration received claim applications from 13,594 Saskatchewan producers. This was down from 17,448 for the previous year. As of March 31, 2003, 13,450 claims had been processed, representing 99 per cent of claims received from Saskatchewan. Of the claims processed, 52 per cent (7,090) were eligible for payments. In comparison, payments were made on 44 per cent of 2000 claims, 56 per cent of 1999 AIDA claims and 43 per cent of 1998 AIDA claims.

  - As of March 31, 2003, the claims eligible for payment from Saskatchewan for the 2001 claim year were $17,834 on average. Total payments to Saskatchewan producers for the 2001 claim year were $126.9 million. This compares to total paid claims for the 2000 claim year of $107.7 million; $226.1 million (excluding negative margin payments) for 1999 AIDA; and $136.5 million for 1998 AIDA (again excluding negative margin payments that were made solely by the federal government).

As part of the federal/provincial discussions around the new Agricultural Policy Framework (APF), SAFRR staff conducted analysis of the various business risk management proposals as well as of the current programs. The results of the analysis were presented to the provincial Farm Support Review Committee (FSRC) and a group of farm leaders from the major farm organizations in the province.

The FSRC and the group of farm leaders have played an integral role in advising the Minister of Agriculture, Food and Rural Revitalization on Saskatchewan's participation in the APF and in improving business risk management programs.

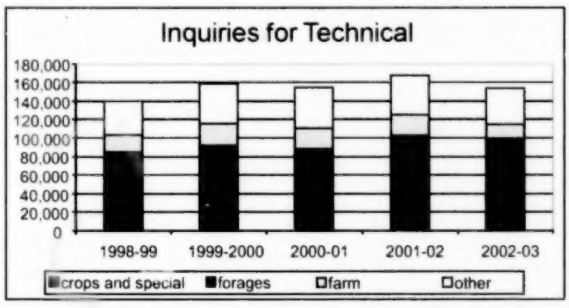
Measurement Results

The 2001-02 Annual Report reported that progress toward achieving the objective of agricultural people and families with better tools and resources to plan for their future would be measured by the transfer of research and development information to producers, organizations and farm families. The specific measures are:

- Number of inquiries to SAFRR for technical information; and
- Value of information.

The second measure proved to be too difficult to measure. As a result, alternatives have been proposed in the 2003-04 plan.

The trend and measurement results for the number of inquiries for technical information follow.



During 2002-03, SAFRR handled almost 154,000 inquiries for technical information, including over 45,000 on crops and special

crops; over 51,000 on forages and livestock; and almost 16,000 on farm management. This is down slightly from the previous year.

The Saskatchewan Rural Action Plan

In 2002-03, the Rural Issues Office (RIO) of SAFRR became the government's lead for supporting the initiatives of the Action Committee on the Rural Economy (ACRE) and was tasked with the development of an action plan for rural revitalization. On December 3, 2002, SAFRR released "*A Strategy for Rural Saskatchewan: Responding to ACRE*."

The Strategy describes specific roles in rural development:

> For government – the provision of a framework and environment for communities and individuals to invest in rural Saskatchewan;
>
> For communities and individuals - financial and personal investment in rural Saskatchewan.

Because ACRE is an important element in the future of Saskatchewan's rural development, the province has extended ACRE's mandate for an additional year to March 2005, and has expanded ACRE's mandate as follows:

- provide feedback on strategy;
- engage rural Saskatchewan in an ongoing dialogue;
- monitor delivery of strategy; and
- re-examine the rural economy and recommend new actions by January 2005.

The Rural Issues Office comprises a small number of policy staff and is responsible for ensuring that provincial programs and services are focused on rural economic development needs. This includes:

- supporting the Action Committee process;
- examining new initiatives that contribute to rural economic development and working to alleviate obstacles to rural development;
- assessing policy decisions for their impact on the rural economy;
- on-going consultations with rural people and organizations to keep policies, programs and services focused on rural needs;
- advocating rural opportunities and communicating rural achievements; and
- responding to requests for information from rural residents.

In 2002-03, RIO accomplished the following:

- assisted ACRE in the publication of its final report;
- drafted, released and promoted the province's rural strategy, "*A Strategy for Rural Saskatchewan: Responding to ACRE*";
- Organized and supported meetings of ACRE, the ACRE executive and ACRE's subcommittees as well as finalized documents for public release;
- worked with stakeholders and rural residents on specific issues and initiatives to further economic development and the quality of life in rural Saskatchewan;
- maintained a presence at events of prime importance to rural people, such as the SARM convention, rural meetings, the National Congress on Rural Education;
- initiated work on a "Rural Lens" which will assist in the development of policy that positively affects rural residents; and
- established an interdepartmental committee to analyze and respond to rural issues across government.

Financial Results 2002-2003

		2002-03 Estimates $000s	2002-03 Actuals $000s	Variances over (under) $000s	Notes
Revenue					
Land Revenue:					
Crown Land Sales	$	2,500	4,141	1,641	1
Rent and Penalty on Land Leases		23,161	24,244	1,083	2
Interest		379	359	(20)	3
Royalties on Sand and Gravel		20	15	(5)	
Transfers from Federal Government		13,075	13,814	739	4
Transfers from Other Funds		-	33	33	5
Privileges, Licences and Permits		531	582	51	6
Sales, Services and Service Fees		298	211	(87)	7
Other Interest Revenue		10	132	122	8
Other Revenue		10	59	49	9
Refund of Previous Year Expenditures		155	2,854	2,699	10
Total Revenue	$	40,139	46,444	6,305	
Expenditure					
Administration	$	2,210	2,415	205	11
Accommodation and Central Services	$	3,774	3,697	(77)	12
Industry Assistance					
Contributions for General Agriculture Interests	$	2,110	2,227	117	13
Farm Land Leaseback Compensation		-	-	-	
Subtotal	$	2,110	2,227	117	
Land Management					
Land Management Services	$	3,238	3,126	(112)	14
Losses on Sale of Land		200	159	(41)	15
Land Revenue Bad Debt Allowances		500	-	(500)	16
Pastures Revolving Fund-Subsidy		-	-	-	
Net Financing Requirement (Recovery)		-	(719)	(719)	17
Subtotal	$	3,938	2,566	(1,372)	

Financial Results 2002-2003

		2002-03 Estimates $000s	2002-03 Actuals $000s	Variances over (under) $000s	Notes
Inspection and Regulatory Management					
Program Operations	$	1,677	1,588	(89)	18
Livestock Health Services		1,725	1,889	164	19
Prairie Diagnostic Services		2,025	2,025	-	
Livestock Services Revolving Fund Net Financing Requirement (Recovery)		-	(173)	(173)	20
Subtotal	$	5,427	5,329	(98)	
Policy and Planning					
Policy and Program Development	$	2,094	2,406	312	21
Statistics		1,028	595	(433)	22
Communications		1,221	1,064	(157)	23
Business and Information Technology Services		2,191	3,216	1,025	24
Subtotal	$	6,534	7,281	747	
Research and Technology					
Project Coordination	$	994	897	(97)	25
Research and Development		7,400	8,922	1,522	26
Strategic Research Program		4,688	4,364	(324)	27
Ag-West Biotech		1,100	1,100	-	
Prairie Agricultural Machinery Institute		768	768	-	
New Generation Co-operatives		500	261	(239)	28
Subtotal	$	15,450	16,312	862	
Development and Technology Transfer					
Industry Development	$	973	1,030	57	29
Crop Development		2,085	1,981	(104)	30
Extension Services		7,828	8,191	363	31
Livestock Development		1,983	1,746	(237)	32
Irrigation Development		-	401	401	33
Subtotal	$	12,869	13,349	480	
Farm Stability and Adaptation					
Net Income Stabilization Account	$	47,700	49,998	2,298	34
Farm Sector Initiatives		70,000	56,300	(13,700)	35
Adaptation Initiatives		8,250	4,587	(3,663)	36
Subtotal	$	125,950	110,885	(15,065)	

Financial Results 2002-2003

		2002-03 Estimates $000s	2002-03 Actuals $000s	Variances over (under) $000s	Notes
Investment Programs					
Financial Programs Management	$	4,428	4,112	(316)	37
Subtotal	$	4,428	4,112	(316)	
Crop Insurance					
Program Delivery	$	24,800	28,420	3,620	38
Crop Premiums		84,175	98,463	14,288	39
Interest Subsidy		-	916	916	40
Subtotal	$	108,975	127,799	18,824	
Herd Retention Program					
Grants	$	-	14,200	14,200	41
Livestock Drought Loan Loss Allowance	$	-	-	-	
Subtotal	$	-	14,200	14,200	
2002 Short Term Hog Loan Program					
Loan Loss Allowance	$	-	1,800	1,800	42
Subtotal	$	-	1,800	1,800	
Total Expenditure	$	291,665	311,972	20,307	
Statutory Adjustments for Revolving Funds	$	-	892	892	43
Special Warrants	$	26,500	-	(26,500)	44
Total Revised Estimates and Expenditure	$	318,165	312,864	(5,301)	
2002-2003 Department Total	$	318,165	312,864	(5,301)	

These financial schedules have been prepared in accordance with the government

Note: Totals may not add up due to rounding.

Financial Schedules - Notes

Explanations of variances which exceed $20,000 between Estimates and Actuals.

Note Number - Revenue

1) Demand for agricultural land was higher than estimated due to higher than expected Treaty Land Entitlement sales activity.

2) Petroleum and Gas Lease revenue is higher due to an increase in new well activity, and easement revenue is higher due to increased oil activity.

3) Interest revenue was lower because more producers obtained private financing to pay out their land purchase loans than was expected.

4) Administration expenses for the Saskatchewan Crop Insurance Corporation (SCIC) are cost shared 50:50 by the federal and provincial governments. The department advances SCIC 100 per cent of the funding and the federal government then reimburses the department for its share of the approved costs incurred. Actual administration

expenses of SCIC were higher than budgeted, due to increased activity associated with the 2002 crop season.

5) Collection of previously written off Gross Revenue Insurance Program (GRIP) receivables and interest was recorded as revenue in 2002-03.

6) Assignment Fee revenue on land leases is higher than budgeted because of the increased oil activity.

7) The Agriculture Educational Services Fee did not generate any revenue in 2002-03 as budgeted and commission fees on collection services provided to Saskatchewan Crop Insurance Corporation were lower due to lower collection amounts.

8) The 2002 Short-term Hog Loan program was a mid-year initiative generating new interest revenue.

9) Funding provided for Agriculture Research Program contracts was higher than budgeted.

10) Revenue is a result of reductions to the Farm Land Property Tax Rebate liability, the Land Revenue Bad Debt Allowance and the Employee Entitlement liability established in prior years.

Note Number - Expenditure

11) The over expenditure resulted from higher than budgeted travel costs (primarily due to federal/provincial meetings on the Agricultural Policy Framework) and the department reorganization.

12) Tenant improvement costs were lower than budgeted.

13) A grant to the Federation of Saskatchewan Indian Nations in the amount of $100,000 to assist First Nations families in management of their farm businesses was not budgeted.

14) Expenditures were lower than budgeted due to vacancy management and reduced travel.

15) When the department sells land for less than its original cost, a loss is recorded. In 2002-03, the amount of Crown land sold at lower than cost was less than anticipated.

16) The allowance for uncollectable land revenue account receivables was decreased as a result of a significant number of settlements and successful collection efforts and therefore no expenditure was required for 2002-03.

17) The Pastures Revolving Fund cash receipts exceeded cash disbursements resulting in a net recovery. Receipts exceeded disbursements due to oil and gas revenues on Crown pasture land.

18) Savings resulted from vacant positions and reduced travel.

19) Program expenditures were higher than budgeted.

20) The Livestock Services Revolving Fund cash revenues exceeded cash expenditures resulting in a net recovery. Revenue exceeded the budget due to higher volumes of marketings and inspections.

21) Expenditures were higher than budgeted as a result of the statistics program being amalgamated into the Policy and Development sub-program.

22) Expenditures were lower than budgeted due to the amalgamation of the statistics program into the Policy and Development sub-program.

23) Expenditures were lower than budgeted because of department reorganization.

24) Information and technology costs were higher than budgeted due to Irrigation Development Branch needs, system

development costs for the Herd Retention Program and the 2002 Short-Term Hog Loan Program, and the rollout of Windows XP to all staff.

25) Savings resulted from vacant positions and reduced travel costs.

26) Expenditures were higher than budgeted because of additional projects entered into during the year.

27) Program activity was lower than budgeted as a result of fewer projects undertaken than originally expected.

28) Program activity was lower than budgeted as a result of lower program uptake than was originally expected.

29) Expenditures were higher than budgeted because of department reorganization.

30) Expenditures were lower than budgeted because of department reorganization.

31) Expenditures were higher than budgeted because of the department reorganization (higher operational costs in Extension Services were offset by lower expenditures in Livestock Development and Crop Development).

32) Expenditures were lower than budgeted because of the department reorganization (higher operational costs in Livestock Development were offset by over expenditures in Extension Services).

33) This Program was transferred from the Saskatchewan Water Corporation effective October 1, 2002.

34) Provincial contributions to the Net Income Stabilization Account (NISA) program were higher due to higher than expected producer eligible net sales and matching contributions.

35) The $70 million commitment to the Canadian Farm Income Program (CFIP) for the 2002 stabilization year was achieved by transferring $13.7 million of the surplus funds from the New Crop Insurance Account to the AIDA/CFIP Program within the Saskatchewan Agricultural Stabilization Fund.

36) Adaptation Initiatives included the Farm Family Opportunities Initiative (FFOI) and the Conservation Cover Program (CCP). Program activity under the FFOI program was lower than budgeted as a result of lower program uptake than was originally expected.

37) Expenditures were lower than budgeted because of department reorganization.

38) Administration expenditures were higher because of higher claims activity associated with the growing conditions in 2002.

39) The 2002-03 Crop Insurance crop premiums contribution was higher than budgeted, due to producers insuring more acres than originally anticipated. Also, $13.7 million in additional premium surcharge occurred as a result of the extension of the application deadline from March 31 to April 19 in 2002.

40) Financing costs associated with the Crop Re-insurance Fund debt were not budgeted. The Crop Re-insurance Fund required debt financing to fund the record crop insurance claim payouts of 2002 resulting from the drought.

41) This was a new program initiative in 2002-03 to address the drought conditions facing the livestock industry.

42) The 2002 Short-Term Hog Loan Program was a new program initiative in 2002-03 and therefore the estimated uncollectable loans were not budgeted.

43) Since Revolving Funds are given statutory authority to spend within certain limits, the actual net financing requirements (or recovery) that occurs in the year does not come out of the department's base

budget. Instead, the department's base budget is adjusted to reflect the actual net financing required (or recovered).

44) Special Warrants increase the province's overall budget and are disclosed in the Public Accounts as an increase in the appropriations. Special Warrants may only be issued when the legislature is not in session. In 2002-03, the department received a Special Warrant for Irrigation Development - $600,000; Financial Programs Management - $780,000; Herd Retention Program - $16,200,000; Livestock Drought Loan Program Financing - $1,800,000; 2002 Short-term Hog Loan Program Loan Loss - $2,100,000; Crop Insurance Program Delivery - $3,620,000; Crop Insurance Program Premiums - $700,000; and Crop Insurance Interest Subsidy - $700,000.

Full-Time Equivalent

45) The variance was a result of vacant staff positions throughout the year.

Overview of Plan for 2003-04 and Beyond

The purpose of this annual report is not only to describe the activities and results of the completed fiscal year but also to look forward – to identify the challenges and opportunities that lie ahead and the departmental plan that has been developed to address them. This section of our report lays out this plan for the future. It identifies the goals, objectives and key actions we are working towards to achieve our long-term vision of *a thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents*.

This is the second Performance Plan publicly released by the Department of Agriculture, Food and Rural Revitalization. It builds on the previous year's plan, but has been expanded to reflect the additional responsibilities added by the merger with the Rural Revitalization Office. Future Performance Plans will also evolve over time as the strategic planning, performance management, and public reporting processes mature, and as stakeholder feedback is incorporated.

The following goals and objectives are multi-year in nature. Over time, the department will work towards achieving its objectives, and through this will realize our broader long-term goals. For each objective a number of key actions have been developed for the 2003-04 fiscal year. In addition, a set of performance measures have been established that will be used to gauge our progress in achieving our objectives.

The people, the agricultural industry and the rural communities in this province are of utmost importance. In order to strengthen and expand the agricultural sector and revitalize the rural economy, we need to work together. As we implement this plan, we will continue to involve our stakeholder partners in developing strategies to help the agricultural industry grow and prosper.

Plan at a Glance

Below is a summary of our plan for 2003-04 and beyond. The goals and the objectives articulate the outcomes the department is pursuing, which support advancement towards our vision. The performance measures are one of the key tools we will use to gauge our progress toward our objectives.

Department Vision

A thriving agricultural sector and dynamic rural communities that contribute to an enhanced quality of life for all Saskatchewan residents

Goal 1: Prosperous, sustainable, agricultural production and processing industries

Objective 1 - Increased livestock production and diversification to higher value crops

Performance Measures:

- Hogs marketed
- Slaughter steers and heifers marketed
- Beef cow herd size
- Value of Saskatchewan crop output per acre

Objective 2 - Increased total value of goods and services produced by the agriculture and food sector

Performance Measure:

- Primary agriculture GDP plus agrivalue (food, beverage, feed processing) GDP

Objective 3 - Enhanced environmental stewardship

Performance Measures:

- Conservation till acreage as a per cent of land prepared for seeding
- Summerfallow as a percent of total cultivated land

Objective 4 - Improved food safety and quality systems

Performance Measures:

- To be developed

Objective 5 - Effective safety net and risk management tools

Performance Measure:

- Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage

Goal 2: *Strong, resourceful rural people, families and communities*

Objective 1 - Rural people and families with better tools and resources to plan for their future

Performance Measures:

- Number of inquiries to SAFRR for agronomic information and project/business support
- Number of Farm Family Opportunities Initiative clients

Objective 2 - Effective partnerships focused on revitalizing the rural economy

Performance Measures:

- To be developed

2003-04 Budget Overview

Subvote Description	Estimated ($000s) 2003-04
Administration	2,170
Accommodation and Central Services	3,894
Policy and Planning	6,053
Land Management	3,786
Research and Technology	13,879
Development and Technology Transfer	13,141
Inspection and Regulatory Management	3,107
Industry Assistance	4,180
Farm Stability and Adaptation	78,250
Financial Programs	5,958
Crop Insurance	117,400
	251,818

Expense by Type:	Estimated ($000s) 2003-04
Personal Services	24,662
Supplier and Other Payments	13,451
Transfers for Public Services	42,755
Transfers to Individuals	170,950
	251,818*

Full-time Equivalents (Staff Complement) 2003-04	593.5

*Including grants to third parties totalling $50 million.

Trends and Issues

Agricultural policies and programs are developed in response to a variety of internal and external indicators. It is important for Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR) to identify and monitor current trends affecting the Province of Saskatchewan and the agricultural industry. Keeping these issues in mind facilitates decision-making for SAFRR and its stakeholders.

Trade Protectionism. Trade protection sentiment among international competitors is growing. European and American governments continue to offer high levels of support to their producers in an effort to strengthen and protect their domestic industries. Examples of protectionist policies include a moratorium on genetically modified organisms in the European Union and mandatory country-of-origin-labelling of selected products in the U.S.

U.S. duties will hurt exports. The U.S. Commerce Department has placed a 3.94 per cent tariff on all Canadian exports of wheat and durum in response to alleged subsidization of Canadian producers through the Canadian Wheat Board. In addition, the U.S. claims that the Wheat Board is dumping wheat at prices below cost of production, and has implemented anti-dumping duties of 8.15 per cent on durum and 6.12 per cent on spring wheat. The combined effect of these duties will make wheat exports to the U.S. more costly.

Country of Origin Labelling. The 2002 U.S. Farm Bill has called for the implementation of country of origin labelling on a number of commodities including beef, pork and lamb. Country of origin labelling will be made mandatory by law in 2004. Under this provision, animal products born, raised, and slaughtered in the U.S. will display a "Product of USA" sticker, but the same Canadian products that originated in Canada would be excluded from displaying this mark. Possible negative consequences of country of origin labelling include lower beef, hog, and feed grain prices. In the long term, positive impacts for Canada may include increased hog finishing, increased meat processing, and increased exports to nations other than the U.S.

Food Safety. There are growing consumer concerns over the safe production and handling of food products. Our livestock industry has taken significant steps to deal with food safety issues by implementing tagging and traceability systems.

The food processing sector is growing. There has been a gradual increase in Saskatchewan's food processing sector. Food processing generated $429 million in 2002, up 2.3 per cent from 2001. Total food and feed processing exports have increased by an average of 10.9 per cent per year between 1992 and 2002. Bulk commodities are costly for producers to ship outside of the province, so having processing located in Saskatchewan is beneficial for producers. However, the majority of grain production continues to be exported to customers outside of the province.

Livestock prices. Average producer prices for cattle have increased at a rate of 1.6 per cent per year, while hog prices have remained at the same level over the past 15 years. Correspondingly, the cattle and hog production numbers have also increased over the same period. Livestock production now makes up 28 per cent of Saskatchewan's agricultural output compared with 18 per cent in 1996. High feed prices in 2002 did cause some concern, but the government's implementation of the Short-Term Hog Loan Program provided secure financial backing for hog producers.

Stagnant grain commodity prices. Although grain prices rallied in 2002, the general trend is that most prices have remained at or below early 1980s levels. Reasons for this trend include continued overproduction by heavily subsidized foreign producers, increased globalization in international grain markets, and improved technology which improves farm productivity around the world.

Net farm income is decreasing. This decrease can be attributed to stagnant grain commodity prices coupled with increasing input costs. Input prices tend to follow the general inflation rate, while the price of grain commodities has not changed for decades. In other words, the cost of production is increasing, but the value of production has stayed the same. This cost-price squeeze has led to decreasing margins for producers, and a decline in realized net farm income.

Farmers continue to diversify. Cereal crop acres have stayed relatively constant over the last five years, while oilseed acres have decreased slightly. There has been a large increase in specialty crop production, particularly field peas, chick peas, and lentils. Summerfallow acres continue to drop, and there is increased adoption of direct seeding and continuous cropping practices. The total number of beef cows has remained consistent over the last five years, while bison, elk, hog, and chicken production have shown significant increases.

Farm sizes are increasing. There is increasing pressure on producers to expand

their farms to become more cost efficient. Continued advances in technology have contributed to increasing farm size, a trend in Saskatchewan since 1936.

Rural depopulation. As is the case in most industrialized nations, rural depopulation is a continuing trend and issue. Technology in agriculture has facilitated this trend, as farms have been able to increase in size. With fewer farms, the need for rural service also declines. This compounds the problems of shrinking rural communities, and all sectors of rural Saskatchewan, such as education and health care, are challenged to find new ways to deal with fewer people.

Primary agriculture is playing a smaller role in Saskatchewan's economy. Primary agriculture contributed 9.7 per cent to the province's GDP in 1999, whereas it made up 5.5 per cent of the GDP in 2002. The recent drought combined with increased production in most other sectors of the economy contributed to the reduced agricultural GDP. However, food exports comprised nearly 20 per cent of total Saskatchewan exports in 2001, making agriculture a vital component of the province's trade balance. Agricultural support industries also continue to play an important role in Saskatchewan's economy.

Farmland values are increasing. Land values increased by 3.9 per cent in 2002. Increased demand for ranching and forage land and higher grain commodity prices contributed to this increase. The recent changes to *The Saskatchewan Farm Security Act* may help to attract increased outside investment in Saskatchewan farmland and have a positive influence on land values.

Erratic weather. Any changes in climate will directly impact farming operations, and influence producer decisions regarding crop variety choices, water management strategies, and pest and disease management. Agricultural production in Saskatchewan depends upon having acceptable temperatures and enough rainfall at the right times. Increased weather variability increases the risk of farming.

Changes from 2002-03 Performance Plan

The 2003-04 Performance Plan is consistent with and builds on the themes contained in the 2002-03 plan and directions from Executive Government, as well as the inclusion of Rural Revitalization in the department. The current plan includes restatements of the mandate and vision, the rewording of one goal, and the addition of two objectives and several key actions. The two goals stated in the plan are inherently consistent with those of a year earlier and are supported by seven objectives. For 2003-04, a total of 28 key actions have been identified, 10 more than the previous year.

The strategic plan for 2003-04 identifies two goals:

- Prosperous, sustainable agricultural production and processing industries
- Strong, resourceful rural people, families and communities

The second goal has been reworded - "agricultural people" is replaced by "rural people," and a reference to communities is made as well as to people and families.

The two goals of the 2002-03 Strategic Plan were:

- A thriving, environmentally sustainable agricultural production and processing industry;
- Strong and resourceful agricultural people and families.

The two objectives that were added for 2003-04 are:

- Effective safety net programs and risk management tools;
- Effective partnerships focused on revitalizing the rural economy.

In addition, there were a number of changes to the performance measures utilized for 2003-04.

The following are the new or revised performance measures proposed:

- Primary agriculture GDP plus food/ feed processing GDP;

- Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage.

The following are performance measures identified in 2002-03 that were dropped:

- Value of technical information transferred;

- Per cent of Saskatchewan food processors with food quality assurance programs and/or certification.

These modifications occurred because of a lack of availability of data, and because more appropriate measures were identified.

Multi-Year Commitments

The following commitment was contained in *Our Plan for 2003-04*, one of several documents which accompanied the 2003-04 provincial budget. This commitment is multi-year in nature and deals with several objectives identified in the department plan for 2003-04.

- An investment of $1 billion will be made over the next five years to implement the federal-provincial Agricultural Policy Framework using the five chapter framework to enhance our efforts to build the agricultural sector. These five chapters include:

  - Risk Management Chapter - build enhanced crop insurance and new Net Income Stabilization Account (NISA) programs.

  - Food Safety and Food Quality Chapter - assist industry in implementing on-farm food safety programs and refine strategies to build Saskatchewan's food processing sector, ensuring Saskatchewan's food processing sector can provide safe foods.

  - Environment Chapter - increase efforts to convert marginal crop land to permanent cover (in the last two years the Conservation Cover Program has resulted in approximately one million acres being sown to grass) and develop an Environmental Farm Plan workbook to facilitate farm planning.

  - Renewal Chapter - provide farm families with better tools and resources to plan their future and respond to change (continue to develop the Farm Family Opportunities Initiative which proactively identifies and provides support for on-farm diversification, off-farm business and off-farm employment opportunities).

  - Science and Innovation Chapter - continue long-standing support to agricultural research to ensure farmers have access to leading-edge technology to stay competitive.

Where We Are Headed, What We Intend To Do And How We Will Measure Progress

GOAL 1 - Prosperous, sustainable agricultural production and processing industries

Objective 1 - Increased livestock production and diversification to higher value crops One of the best opportunities to create jobs and economic growth in Saskatchewan is through further development of the livestock industry, particularly the cattle and hog sectors. Increases in such livestock production have the potential to encourage expansion in our domestic meat processing sector. An increase in the value of production per acre of crop land will also result in a larger rural economy and more employment in rural Saskatchewan. This may be achieved through higher yields, more intensive use of land and the growing of higher value crops.	**Key Actions for 2003-04** • Proactively identify potential development opportunities and infrastructure requirements, and provide project support for new or expanding agricultural enterprises • Develop and implement strategies to attract new people and investment to the livestock industry • Provide livestock and crop development information and services • Expand capacity for crop disease and pest surveillance • Provide irrigation development and information services • Manage agricultural Crown land and provide additional opportunities for commercial use

What are we measuring? *Hogs marketed* A sustained increase in hogs marketed will indicate expansion in the industry. This measurement is an appropriate (but not an exact) indicator that the public policy necessary for expansion has been adopted, supporting infrastructure has been put into place, and required investment has actually occurred. Although the department is able to influence several production factors, certain key factors, including changes in market access, commodity prices, feed prices and availability, and interest rates are beyond the department's control.	**Where are we starting from?** 1.94 million hogs for calendar year 2002, as reported by Statistics Canada

What are we measuring?	Where are we starting from?
Slaughter steers/heifers marketed A sustained increase in slaughter steers/ heifers marketed will indicate expansion in the cattle feeding industry. The appropriateness of this measure and the department's level of control or influence over it is similar to that noted above for hogs.	180,050 head in calendar year 2002, as reported by the SAFRR Cattle Marketing Report

What are we measuring?	Where are we starting from?
Beef cow herd size A sustained increase in the beef cow herd will require shifts in land use (most likely from crops) to grazing and forage production and will indicate that the cattle industry is expanding. The appropriateness of this measure and the department's level of control or influence over it is similar to that noted above.	1.2 million head as of July 1, 2002 as reported by Statistics Canada

What are we measuring?	Where are we starting from?
Value of Saskatchewan crop output per acre The monitoring of changes in the dollar value generated per acre of crop produced will allow the department to gauge the level of adoption of new production technology and higher value crops. While SAFRR can influence the value generated per acre, other factors, including weather conditions, the mix of commodities produced, trade and production distorting subsidies and commodity price fluctuations also have major impact.	$32.54 per acre in calendar year 2002, as calculated by SAFRR

Objective 2 - Increased total value of goods and services produced by the agriculture and food sector Development of the primary agricultural sector and further processing of this primary production is necessary to expand the contribution in economic output and employment that may be made to the provincial economy. Increased processing, particularly outside urban centers, will directly enhance the rural economy and help keep smaller communities viable.	**Key Actions for 2003-04** • Finalize and approve implementation models (that will include activity plans and reporting mechanisms to coordinate responsibilities of all branches) to build the value chain for the beef, pork, flax, pulse and organic industries • Implement targeted investment attraction strategies to increase processing activity • Deliver the Agricultural New Generation Co-operatives (ANGen) Program to allow farmers to participate further up in the value chain • Invest in and manage research and development to support the department's priority areas (noted above) and to create opportunities for the agriculture and food sector • Provide an effective tax and regulatory environment for sector development (including the review of identified legislation and regulations to eliminate obsolete or unnecessary regulation and by facilitating updating of *The Agricultural Implements Act*)

What are we measuring? *Primary Agriculture GDP plus Agrivalue (food, beverage, feed processing) GDP* The primary plus agrivalue Gross Domestic Product measured by Statistics Canada indicates the contribution of agricultural primary and processing industries to the provincial GDP. Sustained increases in this measure will indicate the public policy necessary for GDP expansion has been adopted, supporting infrastructure is in place, and required investment has occurred.	**Where are we starting from?** $1,972 million for calendar year 2002 as calculated by the Saskatchewan Bureau of Statistics

Objective 3 - Enhanced environmental stewardship	Key Actions for 2003-04
It is economically important to utilize progressive farming and processing practices in an environmentally sound manner that maintain our soil and water resources and do not pollute.	• Develop an environmental farm plan workbook and implement the environmental farm planning initiative (likely through third party delivery) • Provide environmental assessments for intensive livestock operations • Pursue options to increase the conversion of marginal cropland into permanent cover • Regulate the application of pesticide products by the agriculture industry

What are we measuring?	Where are we starting from?
Conservation till acreage as a percentage of land prepared for seeding Conservation till is the best management practice for long-term economic and environmentally sustainable crop production. Climatic and economic factors may influence conservation till acreage in any one year. Adoption of this technology requires new capital investment so that progress toward the objective should be measured over a multi-year period.	67.6% as reported by Statistics Canada in the 2001 Census

What are we measuring?	Where are we starting from?
Summerfallow as a percentage of total cultivated land Although summerfallowing may achieve effective weed control and increase soil moisture reserves, the practice may subject land to wind and water erosion and affect the organic content of the soil. These concerns combined with advances in production technology are encouraging a decline in the practice. Moisture levels, weather conditions and economic factors may influence summerfallow acreage in any one year.	17.7% of total seeded acreage in 2002, as reported by Statistics Canada

Objective 4 - Improved food safety and quality systems	Key Actions for 2003-04
Consumers throughout the world are increasingly demanding that high safety standards be observed in the production of food they buy. Saskatchewan producers and processors must respond to that demand to compete in the global marketplace.	• Refine and improve the food safety strategy for Saskatchewan's food processing sector • Assist industry in implementing on-farm food safety programs

What are we measuring?	Where are we starting from?
To be developed	A baseline is to be established

Objective 5 - Effective safety net programs and risk management tools	Key Actions for 2003-04
Income from agricultural production is subject to both price and production risk and may be quite variable from year to year. Effective safety net programs and risk management tools are essential if producers are to deal with these risks and achieve the full economic potential of the sector.	• Provide input into the design of and funding for federal-provincial business risk management programming provided in the province • Improve crop insurance programs that grain and livestock producers may use to offset production failures and other natural hazards • Deliver the Short-Term Hog Loan program to help Saskatchewan pork producers hit by low prices and high feed costs.

What are we measuring?	Where are we starting from?
Acreage insured under crop insurance as a percentage of total acreage seeded annually to crops or devoted to perennial tame hay and native forage. One measure of the effectiveness of crop insurance programming is producer participation. This is calculated in terms of the actual acreage that is insured compared to the total possible acreage that could be insured.	74% of area seeded to annual crops; 22% of area in perennial tame hay and native forage (2002), as calculated by SCIC.

GOAL 2 - Strong, resourceful, rural people, families and communities

Objective 1 - Rural people and families with better tools and resources to plan for their future Saskatchewan's people are our most important resource in the development of the agriculture and food industry. They must have the tools they need to make decisions regarding their individual operations to achieve that development - whether they are considering diversification and/or expansion of their operations, or exploring off-farm opportunities.	**Key Actions** • Provide a Farm Family Opportunities Initiative program which proactively identifies and provides support for on-farm diversification, off-farm business and off-farm employment opportunities • Provide extension services, including specialist and technical expertise • Ensure that farmers (who are either working their way out of financial stress or are expanding their enterprises to capture new opportunities) have access to financial advice and assistance in developing business plans • Provide information and counselling services to help farm families deal with the stresses of their industry

What are we measuring? *Number of inquiries to SAFRR for agronomic information and project/business support* Changes in the number of inquiries will enable the department to gauge the popularity and usefulness of the technical and support services made available.	**Where are we starting from?** 153,751 inquiries on primary production and farm management (2002-03), as calculated by SAFRR

What are we measuring? *Number of Farm Family Opportunities Initiative clients* The FFOI program is designed to provide tools and training opportunities for on-farm diversification, off-farm businesses, and off-farm employment to improve income prospects for farm families.	**Where are we starting from?** 223 applications were approved with an additional 356 under active consideration (2002-03), as calculated by SAFRR

Objective 2 - Effective partnerships focused on revitalizing the rural economy	Key Actions for 2003-04
The revitalization of the rural economy necessitates an effective combination of economic policy, public investment, and attention to the health, social and economic well-being of rural residents. The achievement of this objective will require effective partnerships between and within rural communities, industry and government.	• Implement a significant majority of the initiatives identified in the Rural Strategy for 2003 • Develop and implement interdepartmental mechanisms (rural issues check list and internal policy review processes) to evaluate potential rural impacts of government policy also referred to as a "Rural Lens" • Facilitate and coordinate efforts by the Action Committee on the Rural Economy to promote dialogue and to identify new opportunities for rural development • Establish working relationships with stakeholders to create additional opportunities for rural Saskatchewan

What are we measuring?	Where are we starting from?
To be developed	To be determined

Appendix A

Saskatchewan Legislation Administered by Saskatchewan Agriculture, Food and Rural Revitalization 2002-2003

The Agricultural Credit Corporation of Saskatchewan Act
The Agricultural Equipment Dealerships Act
The Agricultural Implements Act
The Agricultural Operations Act
The Agricultural Safety Net Act
The Agricultural Societies Act
The Agri-Food Act
The Agri-Food Innovation Act
The Agrologists Act, 1994
The Animal Identification Act
The Animal Products Act
The Animal Protection Act, 1999
The Apiaries Act
The Cattle Marketing Deductions Act, 1998
The Crop Insurance Act
The Crop Payments Act
The Department of Agriculture, Food and Rural Revitalization Act
The Diseases of Animals Act
The Expropriation (Rehabilitation Projects) Act
The Farm Financial Stability Act
The Farmers' Counselling and Assistant Act
The Farming Communities Land Act
The Grain Charges Limitation Act
The Horned Cattle Purchases Act
The Land Bank Repeal and Temporary Provisions Act
The Leafcutting Beekeepers Registration Act
The Line Fence Act
The Milk Control Act, 1992
The Noxious Weeds Act, 1984
The On-farm Quality Assurance Programs Act
The Pastures Act
The Pest Control Act
The Pest Control Products (Saskatchewan) Act
The Prairie Agricultural Machinery Institute Act, 1999
The Provincial Lands Act *
The Sale or Lease of Certain Lands Act *
The Saskatchewan Farm Security Act *
The Saskatchewan 4-H Foundation Act
The Soil Drifting Control Act
The Stray Animals Act
The Vegetable, Fruit and Honey Sales Act
The Veterinarian Act, 1987
The Veterinary Services Act

* *Joint responsibility*

Appendix B

Special Purpose Funds and Agencies with Legislative Responsibility to Saskatchewan Agriculture, Food and Rural Revitalization as of March 31, 2003

	Year End
Special Purpose Funds (Financial Statements are tabled separately)	
Agri-Food Equity Fund (Amalgamated with ACS, February 28, 2003)	
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Livestock Services Revolving Fund	March 31
Pastures Revolving Fund	March 31
Agencies (Annual Reports are published separately)	
Agricultural Credit Corporation of Saskatchewan	March 31
Agricultural Implements Board	March 31
Agricultural and Food Products Development and Marketing Council	December 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Milk Control Board	December 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31

Agencies under the Agricultural and Food Products Development and Marketing Council

Chicken Farmers of Saskatchewan
Saskatchewan Alfalfa Seed Producers' Development Commission
Saskatchewan Broiler Hatching Egg Producers' Marketing Board
Saskatchewan Canola Development Commission
Saskatchewan Commercial Egg Producers' Marketing Board
Saskatchewan Flax Development Commission
Saskatchewan Pulse Crop Development Board
Saskatchewan Sheep Development Board
Saskatchewan Turkey Producers' Marketing Board
SaskPork

Appendix C

Assistance to General Agricultural Interests

SAFRR provides for financial assistance and support to various organizations that facilitate the development, expansion and diversification of the agricultural industry. The following list identifies organizations that received assistance of $5,000 or more in 2002-03.

- Agriculture Development and Diversification (ADD) Boards - $530,000 in grants were provided in relation to the fieldworker program, which provides funding for co-ordinated pest control programs, with the largest being rat eradication.
- Agriculture in the Classroom Program - $100,000 administration grant.
- Alpha Wildlife Research and Management Ltd. - $16,906 grant to fund the pocket gopher control project.
- Bio Products of Saskatchewan - $26,500 grant. Of this amount, $25,000 is an administration grant and $1,500 was provided in respect to the Bio-Logical Future Conference.
- Canada Pork International (CPI) - $10,000 for a Government CPI membership.
- Canadian Animal Health Coalition - $10,000 grant was provided to sponsor an Economic Impact Study.
- Canadian Western Agribition - $35,000, including sponsorship of the grand opening breakfast, the International Reception, the Opportunities Showcase, the Premier's Reception, and two Saskatchewan Days at the International Business Centre.
- Institute of Agricultural, Rural and Environmental Health - $100,000 grant to assist in the expansion of extension programming.
- District #32 ADD Board - $125,000 grant to assist in the co-ordinated control of black flies in the Prince Albert region.
- Farm Animal Council of Saskatchewan - $75,000 grant to sponsor the development of a series of animal care awards for university students to raise awareness about issues regarding the livestock industry and animal care, and to sponsor an annual Speaker Bureau.
- Federation of Saskatchewan Indian Nations - $100,000 grant to assist First Nations families in management of their farm businesses.
- Live Wire Video Productions - $15,000 grant to sponsor production of "Grassland Transfer."
- POS Pilot Plant Corporation - $50,000 administration grant.
- Provincial Council of ADD Boards - $50,000 administrative support grant.
- Provincial 4-H program - $300,000 administration grant. SAFRR also provides significant in-kind support, such as office space and equipment.
- Redberry Regional Economic Development Authority Group - $20,000 grant for building of the biosphere reserve.
- Regina Exhibition Association - $40,000 grant to sponsor the "Farmers Market Implementation Strategy" study.
- Arabian and Half Arabian Championship Horse Show - $10,000 to assist in hosting this prestigious event in Regina.
- Saskatchewan Agriculture Hall of Fame - $5,000 administration grant.
- Saskatchewan Council for Community Development - $5,000 administration grant.
  Saskatchewan Elk Breeders Association - $20,000 grant to sponsor a number of initiatives including the sponsorship of an effective ear-tagging program.
- Saskatchewan Food Processors Association - $50,000 annual operating grant to assist the association in encouraging the growth of the Saskatchewan food and beverage industry through the promotion of "SASKATCHEWAN MADE" products in and beyond the province.
- Saskatchewan Sheep Development Board - $220,000 was provided to assist the Sheep Development Board with the livestock predation intervention project and to support the board's strategy to grow, develop and add value to the sheep industry in Saskatchewan.

- Saskatchewan Veterinary Medical Association - $50,000 to sponsor a mentorship program to encourage veterinary students to practice in Saskatchewan.
- University of Regina - $25,000 grant to provide rural communities with resources for agricultural-related aboriginal ventures.
- University of Saskatchewan - $10,000 grant to operate a horticultural hotline in the area of non-commercial horticulture.
- West Central Road and Rail - $35,000 grant to provide funding for the purchase of a grain sampler.

Appendix D

Appeals, Complaints, Hearings and Freedom of Information Requests

Under the Social Union Framework Agreement (SUFA) the province is committed to report on the number of appeals on access to services, and the number of complaints on program administration received each year. The following describes the appeals, complaints, hearings and Freedom of Information Requests that were received by the department during 2002-03.

The Lands Appeal Board held 33 appeal hearings of Crown land lease allocations. The board upheld 15 allocations. Eighteen were returned to the department for re-scoring. Although the number of appeals was higher than 2002, the number of appeals as a percentage of the number of parcels allocated decreased.

Twenty-four inquiries to the Agricultural Operations Review Board resulted in two Applications for Determination of normally accepted agricultural practices. Both applications are pending and if not resolved, hearings will be held during the 2003 calendar year.

The Agricultural Implements Board held one hearing. The applicant complained about implement performance; however, the board determined that the applicant was not entitled to compensation.

The Livestock Inspection Services Revolving Fund received two new dealer bond claims, denied two existing bond claims and paid out proceeds of one bond claim. The fund also received 24 withheld livestock settlements totaling $157,659, and determined the disposition of the funds.

The Pesticide Investigator handled 40 complaints related to the improper use of pesticides. This number is down from previous years due to the continuation of the drought. In response to the complaints, the pesticide unit completed inspections of 12 vendors during the year.

The Agri-Food Act Appeal Committee mediates disputes or, if necessary, confirms, varies, disallows or stays decisions of agencies that fall under *The Agri-Food Act*. The committee held five appeal meetings in 2002.

Responses were prepared to 13 Freedom of Information (FOI) applications made to SAFRR.

Appendix E

Regulatory Amendments

The 2002-03 regulatory agenda included:

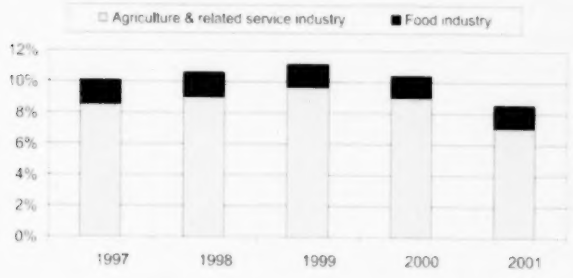
- *The Crop Insurance Amendment Regulations, 2002 (No. 2)* amended *The Crop Insurance Regulations* to facilitate changes to the crop insurance program for the year 2002.
- *The Agricultural Implements Amendment Regulations, 2002* amended *The Agricultural Implements Regulations, 1982* to provide a more common base for the valuing of equipment when implements are bought or sold.
- *The Conservation Cover Program Amendment Regulations, 2002* amended *The Conservation Cover Program Regulations* to implement the program as outlined in the 2002-03 Provincial Budget.
- *The Provincial Lands Amendment Regulations, 2002* amended the Provincial Lands Regulations, specifically Saskatchewan Regulations 145/68 to change the pricing period and the classes of cattle used in the formula for setting grazing and hay rents on Crown lands.
- *The Drought Relief (Herd Retention) Program Regulations* provided the framework to administer the Herd Retention Program which provided financial assistance to livestock producers to relieve financial hardship caused by drought in certain regions in Saskatchewan during 2002.
- *The Livestock Drought Loan Program Regulations* provided the framework to administer the Livestock Drought Loan Program which allows livestock producers, facing financial hardship due to drought, access to funds to assist in maintaining their breeding herds.
- *The Bison Feeder Associations Loan Guarantee Amendment Regulations, 2002* amended *The Bison Feeder Associations Loan Guarantee Regulations* to eliminate the guarantee fee and to strengthen the ability of a producer association to remove and liquidate owned commodities in a timely and cost efficient manner.
- *The Cattle Breeder Associations Loan Guarantee Amendment Regulations, 2002* amended *The Cattle Breeder Associations Loan Guarantee Regulations, 1991* to eliminate the guarantee fee and to strengthen the ability of a producer association to remove and liquidate owned commodities in a timely and cost efficient manner.
- *The Cattle Feeder Associations Loan Guarantee Amendment Regulations, 2002* amended *The Cattle Feeder Associations Loan Guarantee Regulations, 1989* to eliminate the guarantee fee and to strengthen the ability of a producer association to remove and liquidate owned commodities in a timely and cost efficient manner.
- *The Sheep Breeder Associations Loan Guarantee Amendment Regulations, 2002* amended *The Sheep Breeder Associations Loan Guarantee Regulations* to eliminate the guarantee fee and to strengthen the ability of a producer association to remove and liquidate owned commodities in a timely and cost efficient manner.
- *The Sheep Feeder Associations Loan Guarantee Amendment Regulations, 2002* amended *The Sheep Feeder Associations Loan Guarantee Regulations* to eliminate the guarantee fee and to strengthen the ability of a producer association to remove and liquidate owned commodities in a timely and cost efficient manner.
- *The Land Bank Temporary Provisions Amendment Regulations, 2002* amended *The Land Bank Temporary Provisions Regulations, 1983* to ensure that all tenants of Crown land of equal productivity will pay the same rentals.
- *The Drought Relief (Herd Retention) Program Amendment Regulations, 2002* amended *The Drought Relief (Herd Retention) Program Regulations* to include an Indian reserve inadvertently not included in the initial regulations; chaff and straw as feed for livestock; and male game animals producing velvet.
- *The Livestock Drought Loan Program Amendment Regulations, 2002* amended *The*

Livestock Drought Loan Program Regulations to include chaff and straw as feed for livestock; male game animals producing velvet; and producers who deal with credit unions in Alberta and Manitoba, so they could also apply.

- *The Short-Term Hog Loan Regulations, 2002* provided the framework to administer the 2002 Short-Term Hog Loan Program which provided a term loan for slaughter hog producers and weanling hog producers on hogs sold from September 3, 2002 to April 30, 2003.
- *The Bison Feeder Associations Loan Guarantee Amendment Regulations, 2002 (No. 2)* amended *The Bison Feeder Associations Loan Guarantee Regulations* to allow female bison into the program, and to give associations more flexibility in recovering losses from a default from any equity or assurance fund monies the member in default may have in any of the other options, i.e. cattle feeder or cattle breeder.
- *The Drought Relief (Herd Retention) Program Amendment Regulations, 2002 (No. 2)* amended *The Drought Relief (Herd Retention) Program Regulations* to identify the program deadlines for those applicants moved to a higher drought region or for those previously deemed ineligible, and to revise drought regions for those rural municipalities and Indian reserves.
- *The Livestock Drought Loan Program Amendment Regulations, 2002 (No. 2)* amended *The Livestock Drought Loan Program Regulations* to allow applications after the deadline, and to extend the deadline for applications from participants in rural municipalities and Indian reserves added to the drought regions.
- *The Drought Relief (Herd Retention) Program Amendment Regulations, 2003* amended *The Drought Relief (Herd Retention) Program Regulations* to revise drought regions for rural municipalities who appealed their status.
- *The Crop Insurance Amendment Regulations, 2003* amended *The Crop Insurance Regulations* to facilitate the extension of the enrolment deadline for the multi-peril crop insurance program and the annual crop rainfall insurance program for 2003.
- *The Land Bank Temporary Provision Amendment Regulations, 2003* amended *The Land Bank Temporary Provisions Regulations, 1983* to change the definition of the source data used in the calculation of cultivation rentals on Crown lands.
- *The Provincial Lands Amendment Regulations, 2003* amended the Provincial Lands Regulations, specifically Saskatchewan Regulations 145/68 to change the definition of the source data used in the calculation of cultivation rentals on Crown lands.
- *The New Crops Insurance Program Amendment Regulations, 2003* amended *The New Crops Insurance Program Regulations* to allow for the transfer of surplus funds in the New Crops Insurance Account to other accounts within the Saskatchewan Agricultural Stabilization Fund.

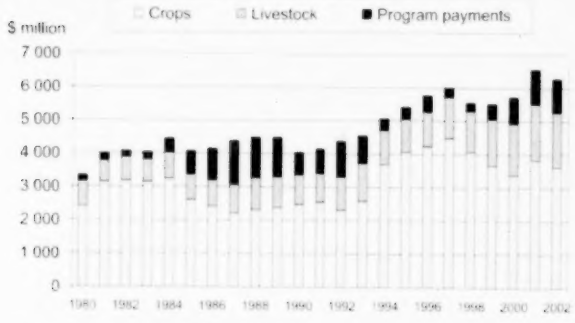
Appendix F
Saskatchewan Agri-Food Indicators

Saskatchewan Agri-Food GDP as a Percentage of Saskatchewan Total GDP



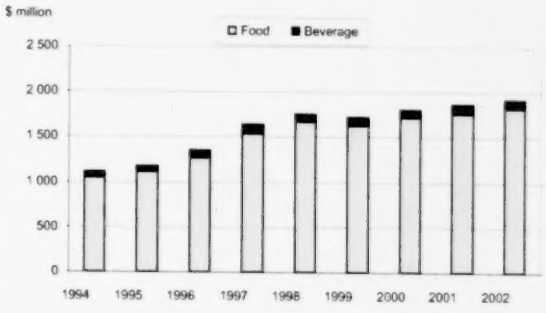
The importance of the agriculture and food industry is demonstrated by its contribution to the gross domestic product of the province. It has consistently run around 10 per cent, varying with production or from price variation in the last few years. While agriculture and food GDP has declined relative to the total Saskatchewan GDP since the early 1990s, the decline illustrates the growth and diversity of the Saskatchewan economy rather than a decline in agriculture.

Saskatchewan Sources of Farm Cash Receipts



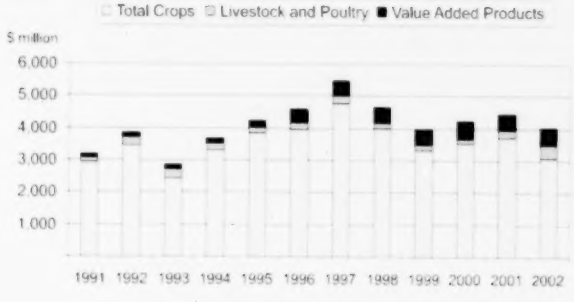
The major contributor to the province's agriculture and food gross domestic product (GDP) is primary production. The sources of farm cash receipts indicate the cyclical nature of crop receipts, the relatively steady livestock receipts, and the variability in program payments.

Saskatchewan Food and Beverage Industries Value of Shipments



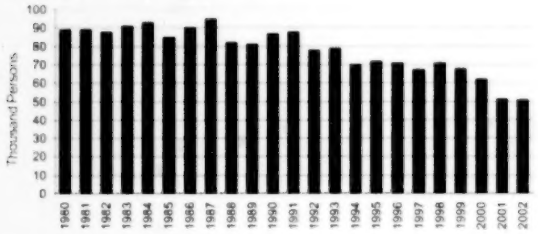
The second major component of the agriculture and food GDP is value-added processing. While the growth since 1994 is indicated by the statistics for the food and beverage industry, there are many other components of further processing that are demonstrating similar growth trends.

Value of Saskatchewan Shipments to other Countries



With a small population and a highly efficient production system, Saskatchewan will always be a major exporter of our agriculture and food products. The importance of those exports is indicated by the annual multi-billion dollar shipments. Future challenges for Saskatchewan will continue to be adding value to our raw exports and further processing prior to export.

Saskatchewan Agriculture and Food Sector Employment



Agriculture and food employment of over 50,000 people in a province of a million people is another indicator of the importance of the sector. These figures do not reflect the myriad of service industries that essentially depend on agriculture for their existence. Increased farm size and mechanization will see agricultural employment continue its declining trend. (The Labour Force Survey by Statistics Canada bases its information on self declaration of the respondent's primary occupation according to hours worked. The data has tended to be highly variable over time depending on whether the respondent sees an off-farm job or the farm as the most important source of income. As a result, the occasional very large drops in agricultural employment that are reported by Statistics Canada are not necessarily a large drop in the number of farmers, but could be farmers recorded according to their other sources of income.)

Structure and Demographics

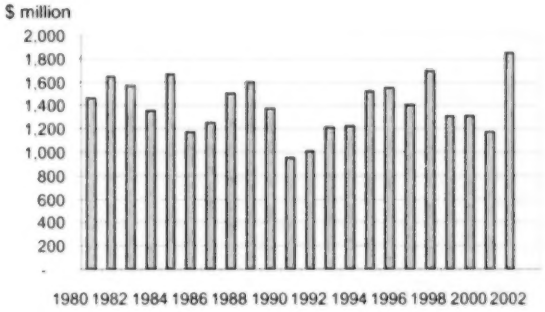
Statistics Canada's 2001 Agricultural Census indicates that Saskatchewan's agricultural industry is dominated by grain/oilseed farms. About 60 per cent of farm operators fall in that category. The second largest sector is the cattle sector, representing about 26 per cent of the total.

Farm Type	Farm Operators*	% of Total
Grain/Oilseed	39,940	60.3
Cattle	17,045	25.7
Other Crop	4,220	6.4
Other Animal	3,280	4.9
Sheep/Goat	470	0.7
Hog/Pigs	420	0.6
Greenhouse	390	0.6
Poultry/Egg	195	0.3
Vegetable	195	0.3
Fruit	130	0.2
TOTAL	66,285	100%

* Some farms have more than one operator
* Source: Statistics Canada Census of Agriculture 2001

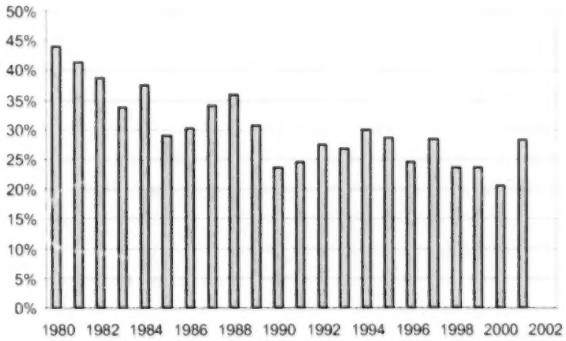
Together, grain/oilseed and cattle farm operators make up 86 per cent of our agriculture industry. This explains why Saskatchewan's net farm income fell so drastically, given that last year's drought was particularly hard on these sectors. The table above indicates some diversity in the industry, but this past year is proof that continued diversification is critical.

Saskatchewan Net Cash Income



Net cash income is the amount of income a farmer has available after operating expenses but before taking depreciation into account. It is generally considered the best measure of a farmer's ability to respond to short-term income variability because depreciation or investment in equipment can be deferred in the short term.

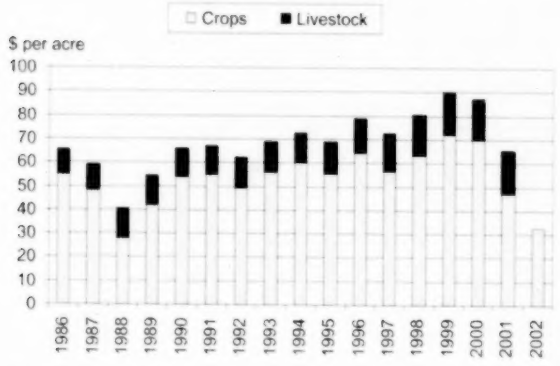
Saskatchewan Net Cash Income as a Percentage of Total Farm Cash Receipts



Net cash income as a percentage of total farm cash receipts is a key indicator of the short-term margins that a farmer is achieving from his operation. The decline from 40 per cent to around 25 per cent over the past 20 years is

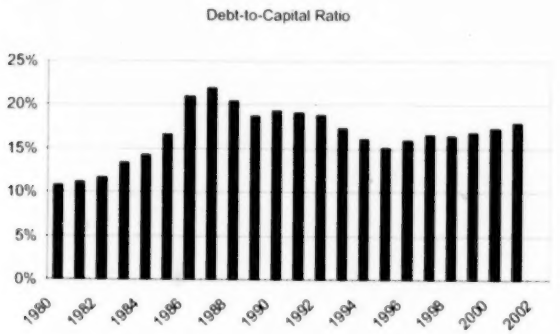
indicative of an industry that is seeing reduced margins over time. One result of smaller margins is increased farm size.

Saskatchewan Output (dollars per acre)



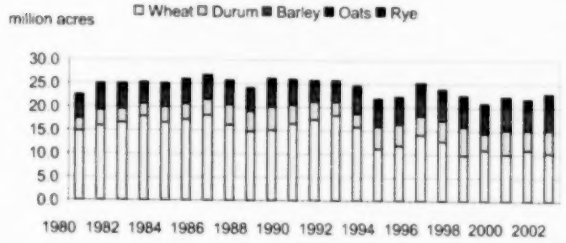
The productivity of Saskatchewan farmers continues to increase over time although severe weather conditions may result in the occasional set back. The Saskatchewan Output Indicator is the combination of all crop and livestock receipts in constant dollars divided by the acres of farm land. This measure of productivity looks at a per acre output of Saskatchewan agriculture holding the effects of price change constant.

Saskatchewan Farm Debt-to-Capital Ratio



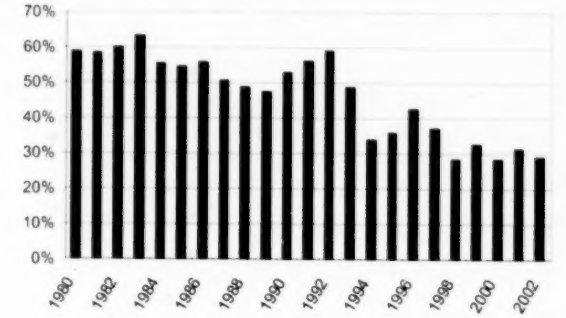
The debt-to-capital ratio indicates that farmers in Saskatchewan tend to be conservative about borrowing and that the response to more difficult financial periods in farming is to reduce the level of debt in their operations.

Saskatchewan Cereal Crop Acres



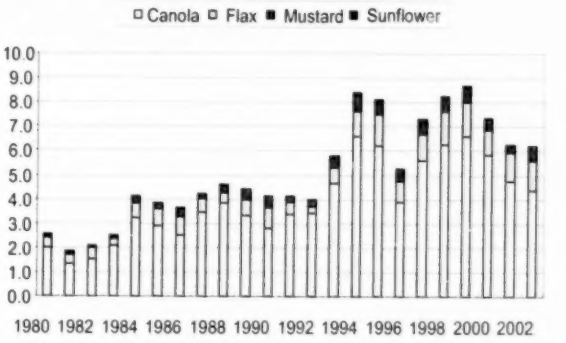
Cereal crops continue to be the backbone of the crops raised in Saskatchewan, primarily because of their importance in the crop rotation needs in farm operations and the generally less intensive farming practices required.

Saskatchewan Spring Wheat Acres as a Percentage of Total Seeded Acres



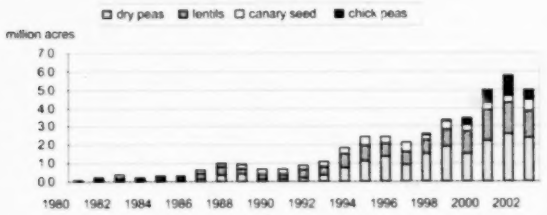
Saskatchewan has often been portrayed as a single-crop region depending on hard red spring wheat. That reality is changing rapidly – from a traditional 50 or 60 per cent of seeded acres, there has been a dramatic diversification to other crops since 1992. Saskatchewan farmers plant over 50 different crops today and are always on the lookout for new and better alternatives.

Saskatchewan Oilseed Crop Acres



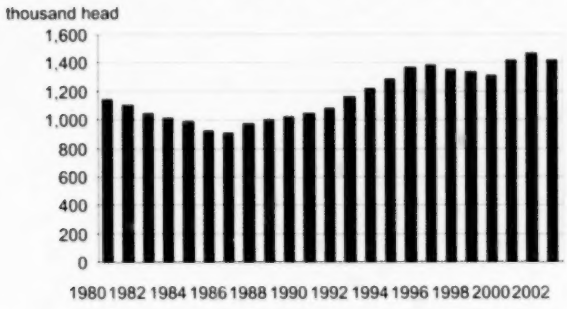
Oilseed acres have been an essential part of Saskatchewan cropping options for farmers. Canola occasionally vies with wheat as the most valuable crop produced in Saskatchewan since the shift away from spring wheat began in earnest in 1993. The move to longer rotations and continuous cropping has partially driven the expansion in oilseed acreage.

Saskatchewan Specialized Crop Acres



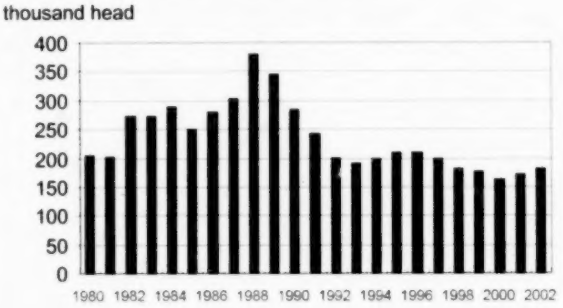
Specialized crops, particularly dry peas, have also become an important cropping option for farmers since 1992. While requiring more intensive farming practices than cereal grains, they are also an important part of the crop rotation to alternate with oilseed production, providing the unique benefit of nitrogen fixation which has the potential to reduce farm input costs.

Beef Cows/Beef Replacement Heifers on Saskatchewan Farms, July 1, 1980-2002



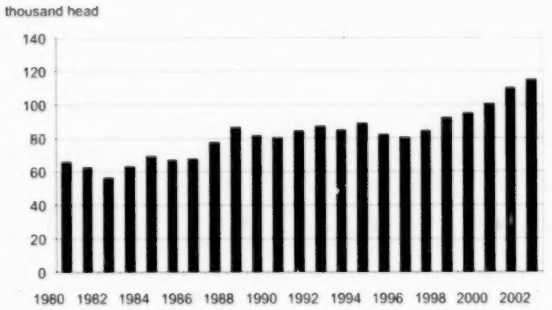
Livestock is also a key aspect of Saskatchewan agriculture and can be an important stabilizing influence compared to the variability seen in the crops sector. The beef cows/replacement heifer index measures the "factory" of the cattle industry and the capability to produce calves for feeding and for replacement breeding stock.

Saskatchewan Slaughter Steer and Heifer Marketings, 1980-2002



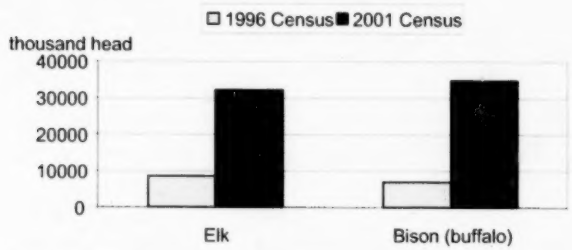
Slaughter steer and heifer marketings measure the amount of value added to the beef calf that is done within the province. Generally, the statistics prove the adage that the Saskatchewan cattle industry is primarily based on cow-calf operations and that we tend to ship the calves or feeders we produce out of the province for final finishing and slaughter.

Sows and Gilts on Saskatchewan Farms, 1980-2002



The sow and gilt inventory reflects the "factory" of the hog industry. The numbers here indicate a relatively steady increase in the capacity in the province, in contrast to other regions where there is a more cyclical pattern. Saskatchewan offers tremendous opportunity in the area of hog production with confirmed growth anticipated for the future.

Saskatchewan Census of Specialized Livestock Inventories



Specialized livestock represents the trend to diversification that farmers are trying to achieve in the livestock sector. There has been a significant increase in the number of such animals in recent years.

Government of
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